

# **DEPARTMENT OF ENERGY**

## **FY 2007 CONGRESSIONAL BUDGET REQUEST**

### **POWER MARKETING ADMINISTRATIONS**

**SOUTHEASTERN POWER ADMINISTRATION  
SOUTHWESTERN POWER ADMINISTRATION  
WESTERN POWER ADMINISTRATION  
BONNEVILLE POWER ADMINISTRATION**



**FEBRUARY 2006**

**OFFICE OF CHIEF FINANCIAL OFFICER**

**VOLUME 6**



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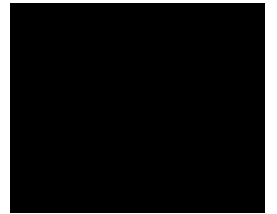
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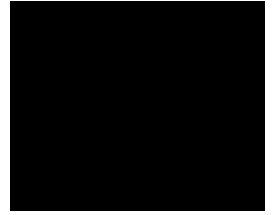
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**Southeastern Power Administration**



**Southwestern Power Administration**

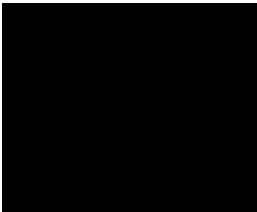


**Western Power Administration**

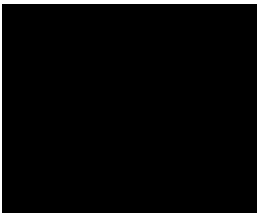


**Bonneville Power Administration**

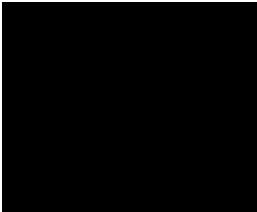




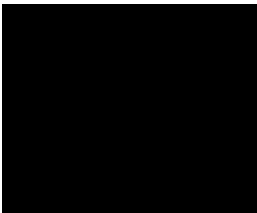
**Southeastern Power Administration**



**Southwestern Power Administration**



**Western Power Administration**



**Bonneville Power Administration**

## Volume 6

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The Department of Energy's FY 2007 Congressional Budget justification is available on the Office of Chief Financial Officer/CFO homepage at <http://www.mbe.doe.gov/budget/>





Department of Energy  
Appropriation Account Summary  
(dollars in thousands - OMB Scoring)

	FY 2005 Current Approp.	FY 2006 Current Approp.	FY 2007 Congressional Request	FY 2007 vs. FY 2006	
				\$	%
<b>Discretionary Summary By Appropriation</b>					
Energy And Water Development, And Related Agencies					
Appropriation Summary:					
Energy Programs					
Energy supply and Conservation.....	1,801,815	1,812,627	1,923,361	+110,734	+6.1%
Fossil energy programs					
Clean coal technology.....	-160,000	-20,000	—	+20,000	+100.0%
Fossil energy research and development.....	560,852	592,014	469,686	-122,328	-20.7%
Naval petroleum and oil shale reserves.....	17,750	21,285	18,810	-2,475	-11.6%
Elk Hills school lands fund.....	36,000	84,000	—	-84,000	-100.0%
Strategic petroleum reserve.....	126,710	207,340	155,430	-51,910	-25.0%
Northeast home heating oil reserve.....	4,930	—	4,950	+4,950	N/A
Strategic petroleum account.....	43,000	-43,000	—	+43,000	+100.0%
Total, Fossil energy programs.....	629,242	841,639	648,876	-192,763	-22.9%
Uranium enrichment D&D fund.....	495,015	556,606	579,368	+22,762	+4.1%
Energy information administration.....	83,819	85,314	89,769	+4,455	+5.2%
Non-Defense environmental cleanup.....	439,601	349,687	310,358	-39,329	-11.2%
Science.....	3,635,650	3,596,391	4,101,710	+505,319	+14.1%
Nuclear waste disposal.....	343,232	148,500	156,420	+7,920	+5.3%
Departmental administration.....	128,598	128,519	128,825	+306	+0.2%
Inspector general.....	41,176	41,580	45,507	+3,927	+9.4%
Total, Energy Programs.....	7,598,148	7,560,863	7,984,194	+423,331	+5.6%
Atomic Energy Defense Activities					
National nuclear security administration:					
Weapons activities.....	6,625,542	6,369,597	6,407,889	+38,292	+0.6%
Defense nuclear nonproliferation.....	1,507,966	1,614,839	1,726,213	+111,374	+6.9%
Naval reactors.....	801,437	781,605	795,133	+13,528	+1.7%
Office of the administrator.....	363,350	338,450	386,576	+48,126	+14.2%
Total, National nuclear security administration.....	9,298,295	9,104,491	9,315,811	+211,320	+2.3%
Environmental and other defense activities:					
Defense environmental cleanup.....	6,800,848	6,130,447	5,390,312	-740,135	-12.1%
Other defense activities.....	687,149	635,578	717,788	+82,210	+12.9%
Defense nuclear waste disposal.....	229,152	346,500	388,080	+41,580	+12.0%
Total, Environmental & other defense activities.....	7,717,149	7,112,525	6,496,180	-616,345	-8.7%
Total, Atomic Energy Defense Activities.....	17,015,444	16,217,016	15,811,991	-405,025	-2.5%
Power marketing administrations:					
Southeastern power administration.....	5,158	5,544	5,723	+179	+3.2%
Southwestern power administration.....	29,117	29,864	31,539	+1,675	+5.6%
Western area power administration.....	171,715	231,652	212,213	-19,439	-8.4%
Falcon & Amistad operating & maintenance fund.....	2,804	2,665	2,500	-165	-6.2%
Colorado River Basins.....	—	-23,000	-23,000	—	—
Total, Power marketing administrations.....	208,794	246,725	228,975	-17,750	-7.2%
Federal energy regulatory commission.....	—	—	—	—	—
Subtotal, Energy And Water Development and Related Agencies.....	24,822,386	24,024,604	24,025,160	+556	+0.0%
Uranium enrichment D&D fund discretionary payments.....	-459,296	-446,490	-452,000	-5,510	-1.2%
Excess fees and recoveries, FERC.....	-18,452	-15,542	-16,405	-863	-5.6%
<b>Total, Discretionary Funding.....</b>	<b>24,344,638</b>	<b>23,562,572</b>	<b>23,556,755</b>	<b>-5,817</b>	<b>-0.0%</b>



# **Southeastern Power Administration**

# **Southeastern Power Administration**

## **Southeastern Power Administration**

### **Proposed Appropriation Language**

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy, including transmission wheeling and ancillary services, pursuant to section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the southeastern power area, [\$5,600,000] \$5,723,000, to remain available until expended: Provided, That, notwithstanding 31 U.S.C. 3302, up to [\$32,713,000] \$34,392,000 collected by the Southeastern Power Administration pursuant to the Flood Control Act of 1944 to recover purchase power and wheeling expenses shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making purchase power and wheeling expenditures. (*Energy and Water Development Appropriations Act, 2006.*)



# Southeastern Power Administration

## Overview

### Appropriation Summary by Program

(dollars in thousands)

FY 2005 Current Appropriation	FY 2006 Original Appropriation	FY 2006 Adjustments	FY 2006 Current Appropriation	FY 2007 Request
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#### Southeastern Power Administration

Program Direction .....	5,158 <sup>a</sup>	5,600	-56 <sup>b</sup>	5,544	5,723
Purchase Power and Wheeling .....	48,200	47,198	0	47,198	48,003
Subtotal, Southeastern Power Administration....	53,358	52,798	-56	52,742	53,726
Use of offsetting collections.....	-34,000	-32,713	0	-32,713	-34,392
Use of alternative financing/net billing.....	-14,200	-14,485	0	-14,485	-13,611
Total, Southeastern Power Administration.....	5,158	5,600	-56	5,544	5,723

## Preface

As the Nation moves forward to strengthen its national and economic security, the Department of Energy (DOE) leads a critical effort promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy. Southeastern Power Administration (Southeastern) supports this effort by marketing and delivering hydroelectric power to the southeast. Southeastern's FY 2007 budget supports DOE's Strategic Goal, Energy Security, and addresses the Office of Management and Budget's (OMB) performance assessment recommendation to develop short- and long-term goals that are results oriented and aligned with this budget submission.

Within the Southeastern appropriation, there is one program: Operation and Maintenance, which includes two subprograms: Purchase Power and Wheeling and Program Direction.

This Overview will describe Strategic Context, Mission, Benefits, Strategic Goals, and Funding by General Goal. These items together put the appropriation in perspective. The Annual Performance Results and Targets, Means and Strategies, and Validation and Verification sections address how the goals will be achieved and how performance will be measured. Finally, this Overview will address the Program Assessment Rating Tool (PART) and Significant Program Shifts.

## Strategic Context

Following publication of the Administration's National Energy Policy, the Department developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven general goals to support the strategic goals. Each appropriation has developed quantifiable goals to support the general goals. Thus, the "goal cascade" is the following:

<sup>a</sup> Includes a rescission of \$42,000 in accordance with P.L. 108-447, Consolidated (Omnibus) Appropriations Bill, 2005.

<sup>b</sup> Includes a 1% rescission of \$56,000 in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006.

Department Mission → Strategic Goal (25 years) → General Goal (10-15 years) → Program Goal (GPRA Unit) (10-15 years)

To provide a concrete link between budget, performance, and reporting, the Department developed a “GPRA<sup>a</sup> unit” concept. Within DOE, a GPRA Unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA Unit has completed or will complete a Program Assessment Rating Tool (PART). A unique program goal was developed for each GPRA unit. A numbering scheme has been established for tracking performance and reporting<sup>b</sup>.

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals and, ultimately, to DOE’s mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and to tie resources to each goal at any level in the cascade. Thus, the cascade facilitates the integration of budget and performance information in support of the GPRA and the President’s Management Agenda.

## **Mission**

The mission of Southeastern is to market and deliver Federal hydroelectric power at the lowest possible cost to public bodies and cooperative utilities in the southeastern United States in a professional, innovative, customer-oriented manner, while continuing to meet the challenges of an ever-changing electric utility environment through continuous improvements.

## **Benefits**

Southeastern supports the Department’s Energy Strategic Goal by managing the dispatch and distribution of Federal hydroelectric power resources in the southeastern United States in an affordable and environmentally sound manner, while meeting National utility performance standards and balancing the diverse interests of other water resource users. This budget submission provides for effective management of the hydroelectric power resources; a diverse supply of generating resources that enhance regional power system reliability; power revenues that repay taxpayers’ investment in the Federal power system; and regional economic benefits that result from the lower cost of the Federal power. Southeastern has implemented rates that repay power purchases within the fiscal year that they are incurred and is on track to repay Federal investment in hydroelectric resources within required time periods.

This budget submission also enables Southeastern to support the Energy Security Goal by promoting strategies that enhance energy efficiency and renewable energy technologies. Effective management of hydroelectric resources, combined with promotion of energy efficiency and renewable technologies, contribute to the long-term goal of addressing economic and environmental challenges.

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<sup>a</sup> Government Performance and Results Act of 1993

<sup>b</sup> The numbering scheme uses the following numbering convention: First 2 digits identify the General Goal that (01 through 07); second two digits identify the GPRA Unit; last four digits are reserved for future use.



## Strategic, General, and Program Goals

The Department's Strategic Plan identifies four strategic goals (one each for defense, energy, science, and environmental aspects of the mission) plus seven general goals that tie to the strategic goals. The Southeastern appropriation supports the following Strategic and General Goals: Energy Strategic Goal: To protect our national and economic security by reducing imports and promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy.

General Goal 4, Energy Security: Improve energy security by developing technologies that foster a diverse supply of affordable and environmentally sound energy by providing for reliable delivery of energy, exploring advanced technologies that make a fundamental improvement in our mix of energy options, and improving energy efficiency.

The program funded within the Southeastern appropriation has one Program Goal that contributes to the General Goal in the "goal cascade." This goal is:

Program Goal 04.51.00.00: Southeastern Power Administration. Market and Deliver Federal Power: Customers receive the benefits of Federal power that produce adequate revenue to repay the American taxpayers' investments allocated to power.

### Contribution to General Goal 4

Southeastern contributes to the Energy Security Goal by performing its power marketing mission through two subprogram activities: Program Direction and Purchase Power and Wheeling.

Southeastern contributes to General Goal 4, Energy Security, by: marketing and delivering all available hydroelectric power from U.S. Army Corps of Engineers (Corps) dams, while balancing power needs with the diverse interests of other water resource users; and marketing and delivering Federal power in a cost-efficient manner to assure reliability of the power system and maximize the use of Federal assets to repay the investment (principal and interest), while supporting the President's Management Agenda.

### Funding by General and Program Goal

(dollars in thousands)			
	FY 2005	FY 2006	FY 2007
General Goal 4, Energy Security			
Program Goal 04.51.00.00, Market and Deliver Federal Power .....	39,158 <sup>a</sup>	38,257 <sup>b</sup>	40,115
Offsetting collections .....	-34,000	-32,713	-34,392
Total, General Goal 4, Southeastern Power Administration .....	5,158	5,544	5,723

<sup>a</sup> Includes a rescission of \$42,000 in accordance with P.L. 108-447, Consolidated (Omnibus) Appropriations Bill, 2005.

<sup>b</sup> Includes a 1% rescission of \$56,000 in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006

## Annual Performance Results and Targets

FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Targets	FY 2006 Targets	FY 2007 Targets
-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

### General Goal 4, Energy Security

<p>Attained average North American Electric Reliability Council (NERC) compliance ratings of &gt; 100 for (CPS) 1 and &gt;90 for (CPS) 2. Goal met. (ER2-5)</p>	<p>Attained average NERC compliance ratings of &gt; 100 for (CPS) 1 and &gt;90 for (CPS) 2. Goal met. (ER9-1)</p>	<p>Attained an average monthly NERC compliance ratings of 100 or higher for Control Performance Standard (CPS) 1 and a rating of 90 or above for CPS2. Goal Met. (ER9-1)</p>	<p>Attain acceptable NERC ratings for the following NERC Control Performance Standards (CPS): CPS1 &gt;100 and CPS2 &gt;90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances. (ER4-51)</p>	<p>Performance Standards (CPS) of CPS1 &gt;100 and CPS2 &gt;90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances. (ER4-51)</p>	<p>Meet NERC Control Performance Standards (CPS) of CPS1 &gt;100 and CPS2 &gt;90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances. (ER4-51)</p>
<p>Actual: CPS 1: 218 CPS 2: 98</p>	<p>Actual: CPS 1: 182 CPS 2: 97</p>	<p>Actual: CPS 1: 174 CPS 2: 99</p>	<p>Actual: CPS 1: 208 CPS 2: 100</p>	<p>Actual: CPS 1: 208 CPS 2: 100</p>	<p>Actual: CPS 1: 208 CPS 2: 100</p>

FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Targets	FY 2006 Targets	FY 2007 Targets
-----------------	-----------------	-----------------	-----------------	-----------------	-----------------

General Goal 4, Energy Security

Meet planned annual repayment of Federal power investment. Goal not met due to low water conditions. (ER2 -5)	Meet planned annual repayment of principal on Federal power investment. Goal met. (ER9 -2)	Meet planned annual repayment of principal on Federal power investment. Goal met (ER9-1)	Repay 1 percent on the Federal investment each year. (ER4-51)	Repay \$40.7 million annually under average water conditions to meet required payments as they come due and assure that all investments will be replaced on a timely basis now and in the future. (ER4 -51)	Repay \$40.7 million annually under average water conditions to meet required payments as they come due and assure that all investments will be replaced on a timely basis now and in the future. (ER4-51)
Actual: \$ 5.35 million	Actual: \$37.5 million	Actual: \$44 million	Actual: \$50.2		
		Meet required repayment of Federal power investment within the required repayment period. Goal met. (ER9 -1)	Provide \$628 million in annual economic benefits to the region from the sale of hydroelectric power. (ER4-51)	Provide \$635 million in annual economic benefits to the region under average water conditions. (ER4-51)	Provide \$643 million in annual economic benefits to the region under average water conditions. (ER4-51)
Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked. Goal met. (ER2 -5)	Achieved a recordable accident frequency rate of 0 for recordable injuries per 200,000 hours worked. Goal Met. (ER9 -3)	Actual: \$15.6 million	Actual: \$707 million		
Actual: 0 accidents	Actual: 0 accidents	Actual: 0 accidents			

## Means and Strategies

Southeastern will use various means and strategies to achieve its program goals. However, various external factors may impact the ability to achieve these goals. The program also performs collaborative activities to help meet its goals.

Southeastern will implement the following means:

- Operate the Federal power system effectively and efficiently by providing training and certification to update workforce skills and by using up-to-date power system technology.
- Assure power rates are adequate to repay the Federal investment by conducting annual power repayment studies.
- Conduct business process reviews to maximize efficiency and eliminate redundancy.
- Provide economic benefits to the region by marketing and delivering all available hydropower.

Southeastern will implement the following strategies:

- Market and deliver power using appropriations, net billing, bill crediting, and offsetting collections.
- Maintain a diverse and knowledgeable workforce by providing employee training, leadership development, retention programs, and recruitment activities.
- Market all available hydropower by working with the U. S. Army Corps of Engineers (Corps), other Federal entities, States, cooperative and municipal utilities to meet the contractual obligations of our customers while balancing the interest of other water users.
- Maintain the security of the Federal power system, facilities, and information technology (IT) systems.
- Address industry restructuring changes when needed by reclassifying positions as opportunities arise.
- Maximize the capabilities of business systems to improve processes and provide greater efficiency.

These strategies will result in a well-maintained, modern, Federal power system and an expert workforce to operate the system in the most effective and cost-efficient manner possible.

The following external factors could affect Southeastern's ability to achieve its program goals:

- Achieving and maintaining system reliability can be affected by weather, natural disasters, changes in the North American Electric Reliability Council (NERC) operating standards, new load patterns, deregulation of the electricity market, changing electric industry organizational structures, and additions to other transmission systems interconnected to the Federal system.
- Achieving repayment of the Federal power investment and providing economic growth to the region can be affected by weather, power markets, natural disasters, and other external costs and revenue factors.
- Achieving cost efficiencies and maintaining an operating cost per kilowatt-hour lower than the national average can be affected by security requirements, industry changes, equipment failure, regulatory mandates, Congressional requirements, and other unforeseen requirements.
- Statutory or administrative reallocation of water storage from hydropower to water supply.

In carrying out its mission to market and deliver hydroelectric power, Southeastern coordinates operational activities with NERC, other regional electric reliability councils, the Corps, customers and other stakeholders to provide the most efficient use of Federal assets.

## **Validation and Verification**

To validate and verify program performance, Southeastern will conduct internal and external reviews and audits as set forth in the PART. Southeastern's programmatic activities are subject to continuing review by internal and external entities such as Congress, the General Accounting Office, the Department of Energy, the Department of Energy's Inspector General, the Federal Energy Regulatory Commission (FERC), the U.S. Environmental Protection Agency, the Office of Personnel Management, Southeastern, National and Regional Reliability Councils. Southeastern's financial audit is conducted by an independent accounting firm.

## **Program Assessment Rating Tool (PART)**

The Department implemented a tool to evaluate selected programs. PART was developed by the Office of Management and Budget (OMB) to provide a standardized way to assess the effectiveness of the Federal Government's portfolio of programs. The structured framework of the PART provides a means through which programs can assess their activities differently than through traditional reviews.

The current focus is to establish outcome- and output- oriented goals, the successful completion of which will lead to benefits to the public, such as increased national security and energy security, and improved environmental conditions. DOE has incorporated feedback from OMB into the FY 2007 OMB Budget Request, and the Department will take the necessary steps to continue to improve performance.

During the FY 2004 budget cycle, Southeastern participated in a program assessment with OMB using the PART. The resulting scores and findings were provided to Congress with the FY 2004 budget request. In the PART review, OMB rated Southeastern "Moderately Effective."

Southeastern's power marketing functions conform with requirements of the Flood Control Act of 1944 and other mandates and statutory requirements. To address several of OMB's concerns, a change in the legislation would be required. Annual Financial Audit and rate reviews by the Federal Energy Regulatory Commission verify that Southeastern is meeting its financial obligations. However, various General Accounting Office reports identified some areas that may be improved under existing authorizations. Southeastern and other Power Marketing Administrations (PMAs) have addressed most of these concerns and implemented modifications to improve OMB's ratings. Southeastern continues to work with OMB to improve performance goals and targets. Associated annual targets are reflected in the "Annual Results and Targets" section of this budget request.

## **Significant Policy or Program Shifts**

- Performance measures identified in the PART and Joule quarterly performance reports have provided targets and goals for the agency's focus and enabled Southeastern to operate more efficiently. For example, reliability goals that measure compliance with NERC and SERC operating policies and the ability to match supply to load and imbalances (CPS1 and 2) have focused attention on more precise power operations. Similarly, attention to efficiency goals has increased use of technology to prepare repayment studies and enhanced study precision. Focusing on performance assessment has enabled Southeastern to take on more administrative and scheduling responsibility without adding FTEs.

- Southeastern has implemented a paper check conversion process which, upon receipt of a customer's payment, enables an immediate electronic deposit or credit to Southeastern's Treasury Account. Paper check conversion will significantly improve cash flow to the Treasury.
- Customer Funding: In November 2005, Customers in the Georgia-Alabama-South Carolina System signed a Memorandum of Agreement (MOA) with the Corps and Southeastern to provide funding for capitalized items at specific Corps projects. In July 2005, customers in the Cumberland System signed a limited Memorandum of Agreement with the Corps and Southeastern that will provide funding for capitalized items at specific projects in FY 2005 and 2006.
- The Budget provides that the interest rate for future obligations owed to the Treasury by Southeastern for power-related investments be set at the rate Governmental corporations borrow in the market, similar to the interest rates current law sets for Bonneville Power Administration's borrowing from the U.S. Treasury. This new policy will be applied to all power-related investments whose interest rates are not specified in law.

## **Southeastern Power Administration**

### **Funding by Site by Program**

(dollars in thousands)			
	FY 2005	FY 2006	FY 2007
Total, Southeastern Power Administration, Elberton, GA .....	39,158	38,257	40,115

### **Major Changes or Shifts by Site**

#### **Southeastern Power Administration**

- Attention to efficiency targets increased technology applications to prepare repayment studies and enhanced study precision. Southeastern has implemented a paper check conversion process that will significantly improve cash flow to the Treasury. Customers in the Georgia-Alabama-South Carolina System signed a MOA with the Corps and Southeastern to provide funding for capitalized items at specific Corps projects. Customers in the Cumberland System signed a limited MOA with the Corps and Southeastern that will provide funding for capitalized items at specific projects.
- Reliability goals that measure compliance with NERC and SERC operating policies and the ability to match supply to load and imbalances (CPS1 and 2) focused attention on more efficient power operations. Attention to performance assessment has enabled Southeastern to take on additional required scheduling responsibilities attendant to RTO membership without adding FTEs.

### **Site Description**

#### **Southeastern Power Administration**

Southeastern is one of four Power Marketing Administrations within the Department of Energy. Southeastern was created in 1950 to market power and energy produced at Corps hydroelectric power projects. Southeastern markets power at wholesale rates to 176 municipal utilities, 127 rural electric cooperatives, one investor-owned utility, and one government agency in the 11 States of Florida, Georgia, South Carolina, North Carolina, Tennessee, Alabama, Mississippi, Virginia, West Virginia, Kentucky, and Illinois. Southeastern is located in Elberton, Georgia, and has no field offices.





# Southeastern Power Administration

## Funding Profile by Subprogram

(dollars in thousands)

FY 2005 Current Appropriation	FY 2006 Original Appropriation	FY 2006 Adjustments <sup>a</sup>	FY 2006 Current Appropriation	FY 2007 Request
-------------------------------------	--------------------------------------	-------------------------------------	-------------------------------------	--------------------

### Southeastern Power Administration

Program Direction .....	5,158	5,600	-56	5,544	5,723
Purchase Power and Wheeling <sup>b</sup> .....	34,000	32,713	0	32,713	34,392
Total, Southeastern Program Level.....	39,158	38,313	-56	38,257	40,115
Offsetting Collections .....	-34,000	-32,713	0	-32,713	-34,392
Total, Southeastern Power Administration .....	5,158	5,600	-56	5,544	5,723

### Public Law Authorizations:

Public Law 78-534, Flood Control Act of 1944

Public Law 95-91, DOE Organization Act of 1977, Section 302

Public Law 101-1-1, Title III, Continuing Fund (amended 1989)

Public Law 102-486, Energy Policy Act of 1992

### Mission

Southeastern's power marketing and wheeling activities fulfill the requirements of Section 5 of the Flood Control Act of 1944 and reflect Southeastern's goals and objectives to market and deliver cost-based power in a safe and reliable manner, and repay the Federal investment with interest while providing environmental and economic benefits to the region.

### Benefits

Southeastern's appropriation supports the Energy Strategic Goal of the Department's mission by providing delivery of reliable, affordable, and environmentally sound energy. Southeastern, in conjunction with the Corps, participates in this effort by managing the power delivery from multiple-purpose hydropower projects through effective marketing, and delivery of clean, safe, reliable, cost-based electric power. This Federal program provides reliable energy to the Nation, which can "cold-start" other power generation sources during energy emergencies.

<sup>a</sup> Includes a 1% rescission of \$56,000 in accordance with P.L. 109-148, Emergency Supplemental Appropriations to address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006.

<sup>b</sup> The total purchase power and wheeling requirements are \$48.2 million, \$47.2 million and \$48.0 for FY 2005, FY 2006, and FY 2007, respectively. The total requirements are financed through offsetting receipts of \$34.0 million in FY 2005, \$38.3 million in FY 2006 and \$34.4 million in FY 2007 and alternative financing methods, which include offsetting collections, net billing, bill crediting, non-Federal reimbursable advances, and Federal reimbursable authority. For additional detail on funding, refer to the Funding Schedule in the Purchase Power and Wheeling section.

Southeastern's program provides numerous benefits to the Nation. The significant benefits are:

- Operating a reliable Federal power system in the most effective, cost-efficient, and environmentally sound manner, while meeting national utility performance standards and balancing the diverse interests of other water resource users.
- Repaying taxpayers' investment in the Federal power system.
- Providing reliable delivery of power to customers.
- Being a low-cost provider of electricity in the region.
- Promoting economic growth in the region.

## Purchase Power and Wheeling

### Funding Schedule by Activity

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
Purchase Power and Wheeling			
Purchase Power.....	12,000	12,000	12,895
Wheeling.....	36,200	35,198	35,108
Subtotal, Purchase Power and Wheeling .....	48,200	47,198	48,003
Alternative Financing			
Net Billing .....	-14,200	-14,485	-13,611
Subtotal, Alternative Financing.....	-14,200	-14,485	-13,611
Subtotal, Purchase Power and Wheeling .....	34,000	32,713	34,392
Offsetting Collections Realized .....	-34,000	-32,713	-34,392
Total, Purchase Power and Wheeling Budget Authority .....	0	0	0

### Description

The mission of Purchase Power and Wheeling is to provide funding for acquisition of transmission services, ancillary services for the system, and pumping energy for the Richard B. Russell and Carters Pumped Storage units. Purchase Power and Transmission expenses are based on contracts Southeastern maintains with area transmission providers that agree to deliver specified amounts of Federal power from the hydropower projects to Federal power customers. Southeastern has authority to access a continuing fund during emergency conditions to maintain continuity of service.

The FY 2007 request uses customer receipts and net billing to pay for purchase power and wheeling expenses. Southeastern's Federal appropriation allows customers to fund purchase power and wheeling expenses in FY 2007 and subsequent years at no cost to the Federal Treasury. Some customers, acting independently or in partnerships, will acquire replacement power and transmission services directly from suppliers. Southeastern will continue to assist its customers in arranging the funding of these activities through alternative financing mechanisms, as needed.

### Benefits

The Purchase Power and Wheeling subprogram supports Southeastern's mission to market and deliver reliable, cost-based hydroelectric power and related services. These services are marketed at rates designed to provide recovery of expenses and Federal investment, as established by law. The recovery of the Federal investment, or repayment, is a key performance goal for Southeastern. The Department of Energy's Strategic Plan reinforces the importance of domestic, renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past and future energy supply and Southeastern's role as a power resource by supplying hydroelectric power to its customers.

## Detailed Justification

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Purchase Power</b> .....	<b>12,000</b>	<b>12,000</b>	<b>12,895</b>
▪ Pumping: Russell Project.....	8,000	8,000	8,000
Purchase of off-peak energy to pump water into the Richard B. Russell Project for on peak generation.			
▪ Pumping: Carters Project.....	4,000	4,000	4,000
Purchase of off-peak energy to pump water into the Carters Project for on peak generation.			
▪ Support Jim Woodruff Project.....	0	0	895
Purchase of energy during periods of adverse water conditions including floods (loss of head) and drought.			
<b>Wheeling</b> .....	<b>36,200</b>	<b>35,198</b>	<b>35,108</b>
▪ Wheeling service charges.....	31,436	30,434	30,344
Wheeling service charges for delivery of power over non-Federal systems.			
▪ Ancillary Services.....	4,764	4,764	4,764
Payment for ancillary services.			
<b>Total, Purchased Power and Wheeling</b> .....	<b>48,200</b>	<b>47,198</b>	<b>48,003</b>

## Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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### Purchase Power and Wheeling

Jim Woodruff replacement power purchases increases (+\$895,000) were partially offset by Cumberland and Georgia-Alabama-South Carolina System transmission expense decreases (-\$90,000) .....	+805
<b>Total Funding Change, Purchase Power and Wheeling</b> .....	<b>+805</b>

## Program Direction

### Funding Profile by Category

(dollars in thousands/whole FTEs)			
	FY 2005	FY 2006	FY 2007
Southeastern Power Administration, Elberton, GA			
Salaries and Benefits .....	3,748	3,993	4,119
Travel .....	126	126	147
Support Services .....	35	37	40
Other Related Expenses .....	1,249	1,388	1,417
Total, Program Direction .....	5,158	5,544	5,723
Total, Full Time Equivalents .....	42	42	42

### Mission

Program direction makes available the Federal staffing resources and associated funding necessary to provide overall direction and execution of Southeastern's program. Southeastern coordinates and cooperates with its partners to operate projects in a manner that enhances the value and reliability of hydropower. Priority is given to integrating environmental concerns and determinations into program actions. Emerging energy efficiency technologies are integrated with marketing strategies and programs.

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished, not only through the efforts of the major program offices in the Department, but with additional effort from offices which support the programs in carrying out the mission. Southeastern performs critical functions that directly support the mission of the Department. These functions include: marketing and delivering hydroelectric power generated at Federal hydroelectric projects in the southeast; and promoting energy efficiency and development of renewable energy among cooperative and municipal utility customers.

### Detailed Justification

(dollars in thousands)			
	FY 2005	FY 2006	FY 2007
<b>Salaries and Benefits .....</b>	<b>3,748</b>	<b>3,993</b>	<b>4,119</b>

Funding supports salaries and benefits for 42 Federal employees who market Federal hydropower and provide administrative support. The salary estimate is derived from the current year budgeted salaries, plus cost-of-living adjustments, promotions, within-grade increases, DOE-cascading performance awards, retirement payouts for unused leave, and overtime. Benefits are calculated based on a percentage of prior year actuals, as applied against FY 2006 calculated salaries. The funding provides for negotiation, preparation, execution, and administration of all contracts for the disposition of electric power, and ensures continuity of electric service to customers. Funding also covers Federal employees who schedule pumping energy and coordinate between the providers of the pumping energy and the project and account for all transactions relative to pumping operations of the Carters and Richard B. Russell Projects. Southeastern performs Balancing Authority services for Hartwell, Russell, and

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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Thurmond Projects, as well as Transmission Operator, Planning Authority, and Transmission Planner services for 20 other Federal projects. Southeastern coordinates power operations of projects with all parties, making determinations of capacity and energy availability weekly. Efficiency Performance is measured by two Efficiency Performance Indicators that provide Balancing Area compliance ratings. Southeastern's targets are: to meet or exceed the control performance standards 1 and 2 of the National Electric Reliability Council (NERC); and measure compliance with NERC Reliability Standards and regional operating policies. Funding provides for billing, collection, and payment functions for approximately 300 contracts that benefit more than 500 preference customers. Southeastern also executes budget, accounting, and financial management activities, prepares repayment analyses of each system to determine rates, and issues a rate presentation, as needed. Repayment performance is measured by comparing planned and actual repayment of principal on power investment. Funding also covers continuing engineering studies, review of project operations, and evaluation of impacts of proposed or actual changes to project operations. Funding also supports Information Management and Homeland Security initiatives.

<b>Travel .....</b>	<b>126</b>	<b>126</b>	<b>147</b>
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The estimate provides transportation and per diem expenses incurred for participation in development of a regional transmission organization; contract negotiations; preference customer meetings; rate forums; hearings and meetings; Congressional hearings; site visits of existing and new projects; Competitive Resource Strategy meetings; operations meetings with industry self-regulating groups, which include Southeastern Electric Reliability Council (SERC), Virginia Carolina Electric Reliability Group (VACAR), Florida Reliability Coordinating Council, and NERC; hydropower task force meetings with the Corps, Customer, and SEPA Working Group (C2SWG); National Environmental Policy Act (NEPA) activities; training; Power Marketing Policy Forums; national and state customer meetings with the National Rural Electric Cooperative Association (NRECA), the American Public Power Association (APPA); Southeastern Federal Power Customers O&M Subcommittee meetings; Interagency Task Force on Finance; Technical Advisory Group meetings; FERC pre-filings and hearings; PJM RTO; and headquarters responsibilities.

<b>Support Services .....</b>	<b>35</b>	<b>37</b>	<b>40</b>
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Continue Competitive Resource Strategies Program, which supports preference customer efforts to address energy efficiency issues, and promote development of renewable resources in support of the President's National Energy Policy. Develop specification of training programs, prepare program plans, conduct training, and review and evaluate contractors.

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Other Related Expenses</b> .....	<b>1,249</b>	<b>1,388</b>	<b>1,417</b>
Provide administrative support for the office, rent, communications, maintenance, contract services (library services, support for DOE Power Marketing Liaison Office, independent audit of the Southeastern Federal Power Program financial statements), e-gov supplies, materials, and equipment and support for cyber and physical security initiatives associated with Homeland Security <sup>a</sup> . Support installation of electronic hardware and software for the operations center and provide maintenance to integrate real-time data from the control area and provide the data to other transmission operators in the Regional Transmission Organization (RTO), and NERC. This equipment supports additional NERC compliance requirements and system reliability. This system is a resource-intensive application that requires maintenance of interconnected fiber optic communication lines for the Supervisory Control and Data Acquisition (SCADA) system. Also reflects expenses associated with infrastructure support: telecommunications equipment; accounting system maintenance; building and computer security equipment; computer hardware and software; and office equipment and financial management system (Oracle). This funding allows the agency to fulfill its obligations under General Goal 4, Improve Energy Security.			
<b>Total, Program Direction</b> .....	<b>5,158</b>	<b>5,544</b>	<b>5,723</b>

### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Salaries and Benefits

- ...Fiscal Year 2007 salaries are derived from the FY 2006 budgeted salaries, plus cost-of-living adjustments, promotions, within-grade increases, DOE-cascading performance awards, retirement payouts for unused leave, and overtime. Benefits are calculated based on a percentage of prior year actuals, as applied against FY 2006 calculated salaries ..... +126

#### Travel

- Funding increase is derived from present travel expenses and factors in increased fuel costs. Allows travel for operator training and certification, accounting, procurement, legal, security, IT training and RTO formulation meetings..... +21

<sup>a</sup> Southeastern is required to meet the Common Identification Standard for Federal Employees and Contractors, as required by HSPD-12, FIPS Publication 201, Personal Identification verification for Federal Employees and Contractors, NIST 800-73, Integrated Circuit Card for Personal Identity and Verification for Federal Employees and Contractors, NIST 800-76, Biometric Data Specification for Personal Identity Verification and all other DOE requirements.

### Support Services

- Increase in funding for co-sponsored energy efficiency audits and Key Account services for residential, commercial, and industrial customers; acquisition support for renewable power resources ..... +3

### Other Related Expenses

- Overall increase in funding for other related expenses were partially offset by decreases in communication, supplies and contract services ..... +29

**Total Funding Change, Program Direction ..... +179**

### Support Services by Category

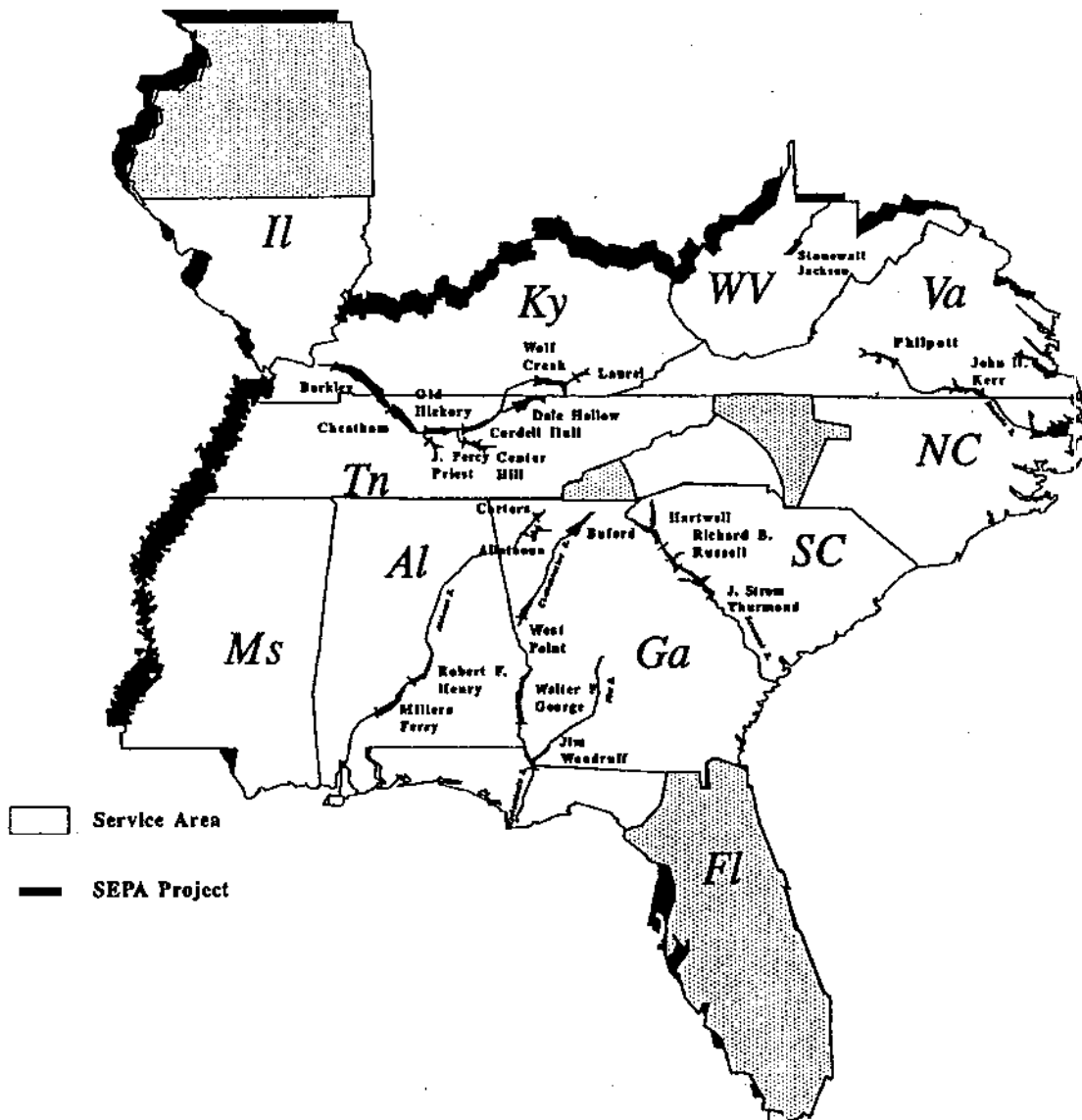
(dollars in thousands)					
	FY 2005	FY 2006	FY 2007	\$ Change	% Change
Management Support					
Training (in efficient management and operation of utility organizations and training in renewable and energy efficient technologies).....	35	37	40	+3	+8.1%
Total, Management Support .....	35	37	40	+3	+8.1%

### Other Related Expenses by Category

(dollars in thousands)					
	FY 2005	FY 2006	FY 2007	\$ Change	% Change
Other Related Expenses					
Rent to GSA .....	325	333	340	+7	+2.1%
Rent to Others .....	7	7	8	+1	+14.3%
Audit of Financial Statements .....	130	150	160	+10	+6.7%
Communications, Utilities, Misc. ....	89	272	264	-8	-2.9%
Printing and Reproduction .....	6	6	7	+1	+16.7%
Tuition .....	11	20	25	+5	+25.0%
Maintenance Agreements .....	226	99	106	+7	+7.1%
Supplies and Materials .....	39	62	58	-4	-6.5%
Contract Services .....	371	278	236	-42	-15.1%
Equipment .....	18	134	183	+49	+36.6%
Working Capital Fund .....	27	27	30	+3	+11.1%
Total, Other Related Expenses .....	1,249	1,388	1,417	+29	+2.1%



## Service Area Map



## Revenue and Receipts

(dollars in thousands)

	FY 2005	FY 2006	FY 2007 <sup>a</sup>
Southeastern Power Administration			
Gross Revenues <sup>d</sup> .....	220,116	217,343	221,512
Account Receivable Adjustment .....	3,497		
Net Billing (Credited as an Offsetting Receipt) .....	-13,555	-13,429	-13,611
Total Cash Receipts .....	210,058	203,914	207,901
Continuing Fund.....	0	0	0
Use of Offsetting Collections to fund PPW .....	-22,560	-32,713	-34,392
Direct Funding Corps			
Hydropower O&M .....	0	0	0
Cumberland Rehabilitation.....	-8,000	-7,000	-8,000
GA -AL-SC Rehabilitation .....	-607	-1,000	-1,000
Total Proprietary Receipts .....	178,891	163,201	164,509
Percent of Sales to Preference Customers			
	99%	99%	99%
Energy Sales and Power Marketed (in billions of kilowatt hours)			
	8	8	8

<sup>a</sup> Expected increase in Kerr-Philpott rates of 25% in FY 2007.

<sup>d</sup> Reflects increase to governmental corporations borrowing rate for newly incurred future obligations in FY 2007.

## System Statistics

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Generating Capacity:			
Nameplate Capacity (KW).....	3,392,675	3,392,675	3,392,675
Peak Capacity (KW) <sup>a</sup> .....	3,710,000	3,710,000	3,710,000
Generating Stations			
Generating Projects (Number).....	22	22	22
Available Energy			
Energy from Streamflow (MWH).....	9,262,617	7,459,272	7,459,272
Energy generated from Pumping (MWH).....	194,395	427,128	427,128
Energy Purchased for Replacement (MWH) .....	921	75,000	75,000
Total, Energy available for marketing <sup>b</sup> .....	9,457,933	7,961,400	7,961,400

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<sup>a</sup> Southeastern markets capacity based on nameplate plus an overload factor. NERC requires that Southeastern keep a portion of the capacity in reserve for emergency purposes and to cover losses.

<sup>b</sup> Gross amount. Transmission losses are deducted from this amount to estimate the amount of energy marketed.

## Power Marketed, Wheeled, or Exchanged by Project

Project	State	Plants	Installed Capacity (KW)	FY 2005 Actual Power (GWH)	FY 2006 Estimated Power (GWH)	FY 2007 Estimated Power (GWH)
Kerr-Philpott System .....				478*	463*	463*
John H. Kerr .....	VA-NC	1	204,000			
Philpott .....	VA	1	14,000			
Georgia-Alabama-South Carolina System...				4,918*	4,059*	4,059*
Allatoona.....	GA	1	74,000			
Buford .....	GA	1	86,000			
Carters .....	GA	1	500,000			
J. Strom Thurmond.....	GA-SC	1	280,000			
Walter F. George .....	GA-AL	1	130,000			
Hartwell.....	GA-SC	1	344,000			
R. F. Henry .....	AL	1	68,000			
Millers Ferry .....	AL	1	75,000			
West Point.....	GA-AL	1	73,375			
Richard B. Russell .....	GA-SC	1	600,000			
Jim Woodruff Project.....	FL-GA	1	30,000	239	237	237
Cumberland System .....				3,822*	3,127*	3,127*
Barkley .....	KY	1	130,000			
Center Hill .....	TN	1	135,000			
Cheatham .....	TN	1	36,000			
Cordell Hull.....	TN	1	100,000			
Dale Hollow .....	TN	1	54,000			
Old Hickory .....	TN	1	100,000			
J. Percy Priest.....	TN	1	28,000			
Wolf Creek.....	TN	1	270,000			
Laurel.....	TN	1	61,000			
Total Power Marketed		22	3,392,375	9,457	7,886	7,886

## Pending Litigation

Although Southeastern is not a party to the cases listed below, we are monitoring them in order to assess any impacts the outcomes may have on Southeastern's operations.

**Southeastern Federal Power Customers, Inc., (SeFPC) Lawsuit Against the Corps:** In late 2000, SeFPC sued the Corps in U.S. District Court for the District of Columbia regarding the management of water withdrawal contracts and collection of revenues from certain water users in Georgia. The parties agreed to settlement discussions aided by a Court-sanctioned mediator, and on January 9, 2003, a mediated settlement was reached by SeFPC, the Corps, the State of Georgia, and various Georgia water users holding Corps water withdrawal contracts at Lake Lanier (Buford Project). The settlement was contested by the States of Alabama, Florida, and other intervening parties as being in conflict with prior pending litigation in Alabama and efforts by the three States to negotiate water compacts for the Alabama-Coosa-Tallapoosa and Apalachicola-Chattahoochee-Flint River Basins in Georgia, Florida, and Alabama. Also, it is argued that implementation of the settlement would adversely affect other litigation pending in Alabama and Georgia involving these parties.

On February 10, 2004, the Court overruled the objections of the States of Alabama and Florida and held that the Settlement Agreement could be implemented if a preliminary injunction entered on October 15, 2003, in the Northern District of Alabama is first vacated. That injunction had been appealed to the 11<sup>th</sup> Circuit Court of Appeals, which returned it to the District Court for further consideration. On February 18, 2005, the District Court again declined to dissolve the injunction, which was appealed again by the Corps of Engineers and Georgia to the 11<sup>th</sup> Circuit, which again remanded the injunctive orders to the Alabama District Court for further consideration.

Appeals from the February 10, 2004 order by Florida and Alabama to void the settlement were denied and the case returned to the District Court to likewise await the removal of the injunction or further action by the Alabama District Court.

**State of Georgia - Corps Litigation:** The State of Georgia contends that the Corps has plenary authority to make certain water supply allocations from the Buford Project without additional legislation from Congress. The State of Florida, SeFPC, and other parties to the litigation contend otherwise. Since the issues in this case are interrelated with the SeFPC litigation set forth above and the litigation in the Northern District of Alabama, the Court, with the agreement of the parties, has placed the case on the inactive calendar to await further action or resolution of the case by the Alabama District Court.

## Alternative Financing

(dollars in thousands)

	Transmission	Purchase Power	Offsetting Collections	Net Billing	Appropriated Funds
2005					
Jim Woodruff System .....	282	949	-723	-508	0
Kerr-Philpott System.....	2,995	-106	-2,634	-255	0
GA-AL-SC System.....	18,050	4,190	-19,036	-3,204	0
Cumberland System .....	9,755	0	-167	-9,588	0
Total, 2005 .....	31,082	5,033	-22,560	-13,555	0

(dollars in thousands)

	Transmission	Purchase Power	Offsetting Collections	Net Billing	Appropriated Funds
2006					
Jim Woodruff System .....	264	0	0	-264	0
Kerr-Philpott System.....	4,738	0	-4,738	0	0
GA-AL-SC System.....	20,414	12,000	-27,780	-4,634	0
Cumberland System .....	9,782	0	-195	-9,587	0
Total, 2006.....	35,198	12,000	-32,713	-14,485	0

(dollars in thousands)

	Transmission	Purchase Power	Offsetting Collections	Net Billing	Appropriated Funds
2007					
Jim Woodruff System .....	0	895	-695	-200	0
Kerr-Philpott System.....	5,130	0	-5,130	0	0
GA-AL-SC System.....	20,228	12,000	-28,404	-3,824	0
Cumberland System .....	9,750	0	-163	-9,587	0
Total, 2007 .....	35,108	12,895	-34,392	-13,611	0

# **Southwestern Power Administration**

# **Southwestern Power Administration**



## **Southwestern Power Administration**

### **Proposed Appropriation Language**

For necessary expenses of operation and maintenance of power transmission facilities and of marketing electric power and energy, for construction and acquisition of transmission lines, substations and appurtenant facilities, and for administrative expenses, including official reception and representation expenses in an amount not to exceed \$1,500 in carrying out section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s), as applied to the Southwestern Power Administration, [\$30,166,000] *\$31,539,000*, to remain available until expended: Provided, That, notwithstanding 31 U.S.C. 3302, up to \$3,000,000 collected by the Southwestern Power Administration pursuant to the Flood Control Act to recover purchase power and wheeling expenses shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making purchase power and wheeling expenditures (*Energy and Water Development Appropriations Act, 2006*).



# Southwestern Power Administration

## Overview

### Appropriation Summary by Program

(dollars in thousands)

	FY 2005 Current Appropriation	FY 2006 Original Appropriation	FY 2006 Adjustments	FY 2006 Current Appropriation	FY 2007 Request
Southwestern Power Administration <sup>a</sup>					
Operation and Maintenance (O&M) .....	32,017	33,166	-302	32,864	34,539
Subtotal, Southwestern Power Administration....	32,017 <sup>b</sup>	33,166	-302 <sup>c</sup>	32,864	34,539
Offsetting Collections.....	-2,900	-3,000	0	-3,000	-3,000
Total, Southwestern Power Administration .....	29,117	30,166	-302	29,864	31,539

### Preface

As the Nation moves forward to strengthen its national energy and economic security, the Department of Energy (DOE) leads this critical effort promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy. Southwestern Power Administration (Southwestern) exists to meet its public responsibilities, consistent with the Flood Control Act of 1944, to market and reliably deliver Federal power, recover power costs, and repay the Federal investment consistent with sound business principles, giving preference to public bodies and cooperatives while encouraging the most widespread use of power, and implementing public policy.

Within Southwestern's appropriation, there is one program: Operation and Maintenance (four subprograms).

This Overview will describe Strategic Context, Mission, Benefits, Strategic Goals, and Funding by General Goal. These items together put the appropriation in perspective. The Annual Performance Results and Targets, Means and Strategies, and Validation and Verification sections address how the goals will be achieved and how performance will be measured. Finally, this Overview will address the Program Assessment Rating Tool (PART) and Significant Program Shifts.

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<sup>a</sup> Southwestern's budget request is based on average power generation under normal operating conditions. The Continuing Fund presently codified at 16 U.S.C. 825s-1, as amended by Public Law No. 101-101, will continue to be used to defray emergency expenses to ensure continuity of electric service and continuous operation of the facilities.

<sup>b</sup> Reflects a 0.8% rescission in the amount of \$234,816 (Operations and Maintenance, \$37,408; Construction, \$42,816; Program Direction, \$154,592) from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

<sup>c</sup> Reflects a 1% rescission in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, in the amount of \$301,660 (Program Direction, \$199,580; Operations and Maintenance \$70,420; Construction, \$31,660).

## Strategic Context

Following publication of the Administration's National Energy Policy (NEP), the Department developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven general goals to support the strategic goals. Each appropriation has developed quantifiable goals to support the general goals. Thus, the "goal cascade" is the following:

Department Mission – Strategic Goal (25 yrs) – General Goal (10-15 yrs) – Program Goal (GPRA Unit) (10-15 yrs)

To provide a concrete link between budget, performance, and reporting, the Department developed a "GPRA<sup>a</sup> unit" concept. Within the DOE, a GPRA unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA unit has completed or will complete a PART. A unique program goal was developed for each GPRA unit. A numbering scheme<sup>b</sup> has been established for reporting and tracking performance.

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals, and, ultimately, to the DOE's mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and to tie resources to each goal at any level in the cascade. Thus, the cascade facilitates the integration of budget and performance information in support of the GPRA and the President's Management Agenda.

## Mission

The mission of Southwestern is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. This is accomplished by maximizing the use of Federal assets to repay the Federal investment and participating with other water resource users in an effort to balance their diverse interests with power needs within broad parameters set by the U. S. Army Corps of Engineers (Corps), and implementing public policy.

## Benefits

Southwestern's appropriation supports DOE's Energy Strategic Goal by delivering reliable, affordable, and environmentally sound energy and operating a reliable transmission system, which is an integral part of the Nation's transmission grid. Southwestern, in conjunction with the Corps, participates in this effort by managing the multipurpose operation of the Federal hydropower system to enable effective marketing, generation, and delivery of clean, reliable, cost-based electric power.

Southwestern's program provides the Nation numerous benefits, which include:

- Operating a reliable Federal power system in an effective, cost efficient, and environmentally sound manner while meeting National utility performance standards and balancing the diverse interests of other water resource users.
- Producing power at the lowest cost-based rates possible.
- Repaying the American taxpayers' investments in the Federal power system.
- Providing reliable delivery of power to customers.

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<sup>a</sup> Government Performance and Results Act of 1993.

<sup>b</sup> The numbering scheme uses the following numbering convention: First 2 digits identify the General Goal 4; second two digits identify the GPRA Unit; last four digits are reserved for future use.

- Providing approximately \$468 million in economic benefits under average water conditions.
- Providing regional power restoration assistance to other non-hydropower generation sources during outage emergencies.
- Repaying the annual costs of operation of the Federal hydropower system with revenues from customers during the year those costs are incurred under normal operations.

### **Strategic, General, and Program Goals**

The Department's Strategic Plan identifies four strategic goals (one each for defense, energy, science, and environmental aspects of the mission) plus seven general goals that tie to the strategic goals. The Southwestern Power Administration appropriation supports the following goal:

**Energy Strategic Goal:** To protect our national and economic security by promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy.

**General Goal 4, Energy Security:** Improve energy security by developing technologies that foster a diverse supply of reliable, affordable, and environmentally sound energy by providing for reliable delivery of energy, guarding against energy emergencies, exploring advanced technologies that make a fundamental improvement in our mix of energy options, and improving energy efficiency.

The program funded within the Southwestern Power Administration appropriation has one Program Goal that contributes to the General Goal in the "goal cascade." This goal is:

**Program Goal 04.52.00.00: Southwestern Power Administration: Market and Deliver Federal Power:** Provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

### **Contribution to General Goal 4**

Southwestern contributes to the Energy Security Goal through four subprograms (Program Direction, Operations and Maintenance, Construction, and Purchased Power and Wheeling) supported by appropriations, Federal power receipts, and alternative financing arrangements, including net billing, bill crediting, and/or reimbursable authority (customer advances). This is accomplished by marketing and delivering all available hydroelectric power from the Corps' dams while participating with other water resource users in an effort to balance diverse interests with power needs within broad parameters set by the Corps; operating and maintaining a Federal power system, which is an integral part of the Nation's electrical grid, in an effective and cost efficient manner to assure reliability; and maximizing the use of Federal assets to repay the investment (principal and interest) as well as operation and maintenance costs of the Southwestern Federal power system while supporting the President's Management Agenda initiatives.

## Major FY 2005 Achievements

- Following Hurricane Rita's devastating landfall on September 24, 2005, Southwestern helped restore power to the people of southeast Texas. Southwestern responded and was instrumental in the coordination efforts between various customers and the Corps. Normally, the Sam Rayburn Hydroelectric Powerplant (Rayburn) is used only to provide peaking power to Southwestern's customers in that area. The emergency plan, however, called for a system restoration that would have Rayburn providing round-the-clock electricity for critical services from one of its generators until regular service could be reestablished. The system restoration from Rayburn began on October 1, 2005, after the integrity of the necessary transmission lines were confirmed. Southwestern continued to monitor progress as lines were energized and added critical loads up to a total of approximately 2 megawatts. Rayburn's generator maintained stability with good voltage and frequency control, restoring power to over 20,000 customers and residents in the affected area. By the end of the day on October 2, major transmission repairs had been completed earlier than expected, allowing the area to reconnect to grid power and Rayburn to return to normal operations.

## Funding by General and Program Goal

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
General Goal 4, Energy Security			
Program Goal 04.52.00.00, Operation and Maintenance .....	32,017	32,864	33,855
Subtotal, General Goal 4 (Southwestern Power Administration) .....	32,017 <sup>a</sup>	32,864 <sup>b</sup>	33,855
Offsetting Collections .....	-2,900	-3,000	-3,000
Subtotal, General Goal 4 (Southwestern Power Administration) .....	29,117	29,864	30,855
All Other			
Safeguards and Security .....	0	0	684
Total, All Other .....	0	0	684
Total, General Goal 4 (Southwestern Power Administration) .....	29,117	29,864	31,539

<sup>a</sup> Reflects a 0.8% rescission in the amount of \$234,816 (Program Direction, \$154,592; Operations and Maintenance \$37,408; Construction, \$42,816) from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

<sup>b</sup> Reflects a 1% rescission in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, in the amount of \$301,660 (Program Direction, \$199,580; Operations and Maintenance \$70,420; Construction, \$31,660).

## Annual Performance Results and Targets

FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Results	FY 2006 Targets	FY 2007 Targets
General Goal 4, Energy Security					
Southwestern Power Administration, Operation and Maintenance					
<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2.</p> <p>(ER9-1)</p> <p>Actual: CPS 1: 192.8 CPS 2: 99.8</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2.</p> <p>(PMA9-2a)</p> <p>Actual: CPS 1: 187.3 CPS 2: 99.5</p>	<p>Attain average NERC compliance ratings of 100 or higher for Control Performance Standard 1, and 90 or above for Control Performance Standard 2.</p> <p>(ER9-3)</p> <p>Actual: CPS 1: 183.8 CPS 2: 99.6</p>	<p>Meet industry averages (CPS1: 169.3 and CPS2: 96.7) and at a minimum, meet NERC Control Performance Standards (CPS) of CPS1&gt;100 and CPS2&gt;90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances.</p> <p>Actual: CPS 1: 186.74 CPS 2: 99.40</p>	<p>Meet industry averages (CPS1: 169.3 and CPS2: 96.7) and at a minimum, meet NERC Control Performance Standards (CPS) of CPS1&gt;100 and CPS2&gt;90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances.</p>	<p>Meet industry averages (CPS1: 169.3 and CPS2: 96.7) and at a minimum, meet NERC Control Performance Standards (CPS) of CPS1&gt;100 and CPS2&gt;90. CPS1: minute by minute measures a generating system's ability to match supply to changing demand requirements and support desired system frequency (about 60 cycles per second); CPS2: measures systems ability to limit the magnitude of generation and demand imbalances.</p>

Meet planned annual repayment of principal on Federal power investment. (ER9-1)

Actual: \$39.3 million

Meet planned annual repayment of principal on Federal power investment. (PMA9-2b)

Actual: \$17.0 million

Provide power at the lowest possible cost by keeping average operation and maintenance cost per kilowatt-hour below the National average for hydropower.<sup>a</sup>

Actual:  
Southwestern: \$0.0109  
National industry average: \$0.0126  
Therefore, Southwestern < National industry average.

Provide power at the lowest possible cost by keeping average operation and maintenance cost per kilowatt-hour below the National average for hydropower.

Provide power at the lowest possible cost by keeping average operation and maintenance cost per kilowatt-hour below the National average for hydropower.

<sup>a</sup> National average for hydropower O&M cost per kilowatt-hour is derived from a sampling of 30 hydropower utilities' annual reports, the Federal Energy Regulatory Commission's Form 1, and the Energy Information Administration's Form 412.

FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Results	FY 2006 Targets	FY 2007 Targets
Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the Bureau of Labor Statistics' industry rate (4.8), whichever is lower. (ER9-1) Actual: 5.5 recordable injuries per 200,000 hours worked.	Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3, or the Bureau of Labor Statistics' industry rate (5.0), whichever is lower. (PMA9-2c) Actual: 1.3 recordable injuries per 200,000 hours worked.	Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 5.3, or the Bureau of Labor Statistics' industry rate (3.7), whichever is lower. (ER9-3) Actual: 2.6 recordable injuries per 200,000 hours worked.	Provide \$457 million in economic benefits to the region from the sale of hydroelectric power (under average water conditions). Actual: \$488 million	Provide \$462 million in economic benefits to the region from the sale of hydroelectric power (under average water conditions).	Provide \$468 million in economic benefits to the region from the sale of hydroelectric power (under average water conditions).
		Repay the Federal investment within the required repayment period. (ER9-3) Actual: met all required repayment.	Repay the Federal investment within the required repayment period. Actual: met all required repayment.	Repay the Federal investment within the required repayment period.	Repay the Federal investment within the required repayment period.
		System Reliability Performance: Achieve a System Average Interruption Duration Index (SAIDI) of not more than 150 minutes of total preventable outages per year. (ER9-3) Actual: < 150 minutes of total preventable outages.	Provide reliable service to customers annually under normal operations, by not allowing system voltage to fall below 95% of nominal (e.g. 161kV) for more than 30 minutes during any preventable condition. Actual: Southwestern did not incur any violations where system voltage fell below 95% if nominal for more than 30 minutes of preventable condition.	Operate the transmission system so there are no more than 3 preventable outages annually.	Operate the transmission system so there are no more than 3 preventable outages annually.



## Means and Strategies

Southwestern will use various means and strategies to achieve its program goal; however, various external factors may impact the ability to achieve this goal. Southwestern also performs collaborative activities to help meet its goal.

Southwestern will implement the following means:

- Provide economic benefits to the region by marketing and delivering all available hydropower.
- Assure power rates are sufficient to repay the Federal investment by conducting annual power repayment studies and submitting needed rate adjustments to the Department of Energy (DOE) and the Federal Energy Regulatory Commission (FERC) for approval.
- Perform maintenance, repair, and replacements of transmission, communication, and control system equipment to assure power system reliability.
- Operate the Federal power system effectively and efficiently by using up-to-date power system technology and update workforce skills by providing training, including in-house capability for certification and annual emergency operations training for power system dispatchers consistent with North American Electric Reliability Council (NERC) requirements.
- Conduct business process reviews to maximize efficiency and eliminate redundancy.

Southwestern will implement the following strategies:

- Market all available hydropower generated at the Corps multipurpose projects and working with the Corps, states, cooperatives, and municipalities to meet statutory requirements while balancing the interests of other water users.
- Maintain sound financial integrity of the Southwestern Federal Power System through rate increases ensuring full cost recovery of the Federal investment and annual operating expenses.
- Provide reliable electric power and energy by funding the Corps' power related operation and maintenance costs in Southwestern's service area from receipts derived from the sale of Federal power and related services and alternative financing arrangements.
- Maintain Southwestern's power system through appropriations, use of Federal power receipts, and alternative financing arrangements, including net billing, bill crediting, and/or reimbursable authority (customer advances).
- Meet Southwestern's limited 1200-hour peaking power contractual obligations with necessary purchased power and wheeling through the use of Federal power receipts and alternative financing arrangements, including net billing, bill crediting, and/or reimbursable authority (customer advances), and Continuing Fund Authority, as necessary in years of below average hydropower generation.
- Maintain a diverse and knowledgeable workforce by employee training, skills gap analysis, leadership development, retention programs, and aggressive recruitment activities, and meet NERC requirements by performing certification and annual emergency operations training for its power system dispatchers and others on a space available basis.
- Maintain the security of the Federal power system, facilities, and information technology (IT) systems.
- Address changes in the electric utility industry, technology, and workload by moving administrative and indirect positions to direct ("front line") positions as opportunities arise.
- Maximize the capabilities of business systems to improve processes and provide greater efficiency.

- Review its power sales contract structure to determine if it is optimally configured for Southwestern's program in the current electric market.

These strategies will result in a well-maintained, modern Federal power system, and an expert workforce to operate the system in the most effective and cost efficient manner possible.

The following external factors could affect Southwestern's ability to achieve its program goal:

- Achieving and maintaining system reliability can be affected by weather, natural disasters, changes in NERC operating standards, new load patterns, deregulation of the electricity market, changing electric industry organizational structures, and additions to other utilities' transmission systems interconnected with the Federal system.
- Achieving repayment of the Federal power investment and providing economic benefits to the region can be affected by weather, power markets, natural disasters, other external costs, and revenue factors.
- Achieving cost efficiencies and keeping average Operation & Maintenance (O&M) costs per kilowatt-hour below the National average for hydropower can be affected by security level requirements, weather, industry changes, equipment failure, regulatory mandates, Congressional requirements, and other unforeseen requirements.

In carrying out its mission to market and deliver hydroelectric power, Southwestern collaborates the following activities:

- Southwestern coordinates operational activities with the Corps, competing resources interests, the Southwest Power Pool Regional Transmission Organization, NERC, and its customers to provide the most efficient use of Federal assets.

### **Validation and Verification**

To validate and verify program performance, Southwestern will conduct various internal and external reviews, studies, and audits. In addition, Southwestern's program is subject to continuing review by internal and external entities such as Congress, the Government Accountability Office (GAO), the Department of Energy's Inspector General, FERC, the U.S. Environmental Protection Agency, the Office of Personnel Management, the Office of Management and Budget (OMB), DOE, Southwestern, NERC, the regional electric reliability council, and Southwestern's Federal power customers.

The achievement of Southwestern's objectives is evaluated on a daily basis. This is driven by the nature of the mission responsibilities and the continued impacts of external factors. Each objective has performance targets that are reported quarterly to the Department of Energy. Southwestern establishes a plan of action to improve any performance below established quarterly standards. Measuring performance against these targets indicates whether Southwestern is achieving its objectives.

### **Program Assessment Rating Tool (PART)**

The Department implemented a tool to evaluate selected programs. PART was developed by the OMB to provide a standardized way to assess the effectiveness of the Federal Government's portfolio of programs. The structured framework of the PART provides a means through which programs can assess their activities differently than through traditional reviews.

The current focus is to establish outcome- and output-oriented goals, the successful completion of which will lead to benefits to the public, such as increased national security and energy security, and improved environmental conditions. DOE incorporated feedback from OMB beginning in the FY 2006 Budget Request, and the Department will take the necessary steps to continue improving performance.

During FY 2004, Southwestern coordinated with OMB to establish outcome- and output-oriented goals including efficiency measures. These mutually agreed to performance goals and targets, initially reflected in the FY 2006 budget, provide a strong link to Southwestern's funding request.

### **Significant Policy or Program Shifts**

- In December 2004, the Congress passed and the President signed the Commercial Spectrum Enhancement Act (CSEA, Title II of P.L. 108-494), creating the Spectrum Relocation Fund (SRF) to streamline the relocation of Federal systems from certain spectrum bands to accommodate commercial use by facilitating reimbursement to affected agencies of relocation costs. The Federal Communications Commission has allocated this spectrum for Advanced Wireless Services, and plans to auction it as early as June 2006. Funds will be made available to agencies following the crediting of auction receipts to the SRF, anticipated in fiscal year 2007. Following the transfer of funds from the SRF to agency accounts, system relocation efforts will commence. Southwestern estimates \$6.3 million in relocation costs, as approved by the OMB, and as reported to the Congress by the Department of Commerce in December 2005. Funds are mandatory and will remain available until expended, and Southwestern will return to the SRF any amounts received in excess of actual relocation costs. Southwestern's FY 2007 budget request does not include funding for any of these relocation costs.
- Southwestern fully supports the President's Management Agenda to become a more efficient and effective government. Southwestern has integrated the principles of the four relevant initiatives into its organization and continues to work with OMB and DOE to enhance the usefulness of this information in making management and resource decisions. As of the most recent rating period, Southwestern is "Green" in the following four relevant initiatives: Strategic Management of Human Capital, Expanded Electronic Government (E-Government), Improved Financial Performance, and Budget and Performance Integration.
- In addition, the budget provides that the interest rate for future obligations owed to the Treasury by Southwestern for power-related investments be set at the rate Governmental corporations borrow in the market, similar to the interest rates current law sets for Bonneville Power Administration's borrowing from the Treasury. This new policy will be applied to all power-related investments whose interest rates are not specified in law.



# Southwestern Power Administration

## Funding by Site by Program

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Southwestern Power Administration .....	32,017	32,864	34,539
Total, Southwestern Power Administration.....	32,017	32,864	34,539

## Site Description

An Agency of the Department of Energy, Southwestern Power Administration (Southwestern) was created in 1943 to market and deliver power and energy produced at U.S. Army Corps of Engineers (Corps) hydroelectric power projects. Southwestern markets and delivers power at wholesale rates to 78 municipal utilities, 22 rural electric cooperatives, and three government entities in the six States of Arkansas, Kansas, Louisiana, Missouri, Oklahoma, and Texas. In order to integrate the operation of the Federal hydroelectric generating plants and to transmit power from 24 multi-purpose Corps' dams to customers, Southwestern operates and maintains 1,380 miles of high-voltage transmission line, 24 substations, and 47 microwave and very high frequency radio sites. Southwestern operates from its Headquarters in Tulsa, Oklahoma and the Dispatch Center in Springfield, Missouri with maintenance facilities in Jonesboro, Arkansas; Gore, Oklahoma; and Springfield, Missouri.



## Operation and Maintenance

### Funding Profile by Subprogram

(dollars in thousands)

	FY 2005 Current Appropriation	FY 2006 Original Appropriation	FY 2006 Adjustments	FY 2006 Current Appropriation	FY 2007 Request
Operation and Maintenance					
Program Direction .....	19,169	19,958	-200	19,758	20,782
Operations and Maintenance .....	4,639	7,042	-70	6,972	7,145
Construction .....	5,309	3,166	-32	3,134	3,612
Purchased Power and Wheeling <sup>a</sup> .....	2,900	3,000	0	3,000	3,000 <sup>b</sup>
Subtotal, Operation and Maintenance .....	32,017 <sup>c</sup>	33,166	-302 <sup>d</sup>	32,864	34,539
Offsetting Collections, PPW .....	-2,900	-3,000	0	-3,000	-3,000
Total, Operation and Maintenance .....	29,117	30,166	-302	29,864	31,539

#### Public Law Authorizations:

Public Law No. 78-534, Section 5, Flood Control Act of 1944  
 Public Law No. 95-91, Section 302, DOE Organization Act of 1977  
 Public Law No. 100-71, Supplemental Appropriations Act, 1987  
 Public Law No. 101-101, Title III, Continuing Fund (amended 1989)  
 Public Law No. 102-486, Section 721, Energy Policy Act of 1992  
 Public Law No. 108-137, Appropriations Act, FY 2004

<sup>a</sup> The total Purchased Power and Wheeling (PPW) requirements are \$11.2 million, \$12.4 million, and \$13.6 million for FY 2005, FY 2006, and FY 2007, respectively. The total requirements are financed through Federal power receipts and alternative financing methods including net billing, bill crediting, and/or reimbursable authority (customer advances). The Continuing Fund presently codified at 16 U.S.C. 825s-1, as amended by Public Law No. 101-101, has been and will continue to be used to defray emergency expenses to ensure continuity of electric service and continuous operation of the facilities. For additional detail on funding, refer to the Funding Schedule in the PPW section.

<sup>b</sup> Southwestern's PPW budget request for FY 2007 is based on average hydropower generation under normal operating conditions at pre-Katrina prices with minimal energy banking assumed available. In FY 2006, a significant shift to a post-Katrina pricing regime and the loss of availability of energy banking arrangements will cause future years' purchase requirements to increase.

<sup>c</sup> Reflects a 0.8% rescission in the amount of \$234,816 (Operations and Maintenance \$37,408; Construction, \$42,816; Program Direction, \$154,592) from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

<sup>d</sup> Reflects a 1% rescission in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, in the amount of \$301,660 (Operations and Maintenance \$70,420; Construction, \$31,660; Program Direction, \$199,580).

## **Mission**

The mission of the Operation and Maintenance program is to market and reliably deliver Federal hydroelectric power with preference to public bodies and cooperatives. This is accomplished by maximizing the use of Federal assets to repay the Federal investment and participating with other water resource users in an effort to balance their diverse interests with power needs within broad parameters set by the U.S. Army Corps of Engineers (Corps), and implementing public policy.

## **Benefits**

Southwestern's appropriation supports the Department of Energy's (DOE) Energy Strategic Goal by delivering reliable, affordable, and environmentally sound energy and operating a reliable transmission system, which is an integral part of the Nation's transmission grid. Southwestern, in collaboration with the Corps, participates in this effort by managing the multipurpose operation of the Federal hydropower system to enable effective marketing, generation, and delivery of clean, reliable, cost-based electric power.

Southwestern's program provides the Nation numerous benefits, which include:

- Operating a reliable Federal power system in an effective, cost efficient, and environmentally sound manner while meeting National utility performance standards and balancing the diverse interests of other water resource users.
- Producing power at the lowest cost-based rates possible.
- Repaying the American taxpayers' investments in the Federal power system.
- Providing reliable delivery of power to customers.
- Providing approximately \$468 million in economic benefits under average water conditions.
- Providing regional power restoration assistance to other non-hydropower generation sources during outage emergencies.
- Repaying the annual costs of operation of the Federal hydropower system with revenues from customers during the year those costs are incurred under normal operations.



## Operations and Maintenance

### Funding Schedule by Activity

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
Operations and Maintenance (O&M)			
Power Marketing .....	440	436	200
Operations.....	2,788	2,544	2,834
Maintenance .....	1,411	3,992	3,811
Capitalized Movable Equipment.....	0	0	300
Total, Operations and Maintenance (O&M).....	4,639 <sup>a</sup>	6,972 <sup>b</sup>	7,145

### Description

The mission of the Operations and Maintenance subprogram is to assure continued reliability of the Federal power system by replacing aging infrastructure and removing constraints that would impede power flows, thus meeting the expectations of the National Energy Policy (NEP) and the Department of Energy's (DOE) Strategic Plan. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects the Southwestern Power Administration's (Southwestern's) program goal to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

### Benefits

The activities of the Operations and Maintenance subprogram are critical components in maintaining the reliability of the Federal power system facilities, which are part of the Nation's interconnected generation and transmission system. Through the use of renewable hydroelectric energy, Southwestern provides clean, safe, reliable, cost-based electric power to its customers while limiting environmental impacts. The NEP and DOE's Energy Strategic Goal reinforce the importance of renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past, current, and future energy supply and Southwestern's "important role in meeting demand" by supplying hydroelectric power to its customers. All emphasize the need to repair, maintain, and improve the transmission and generation infrastructure while avoiding loss of reliability. Southwestern also has the capability to provide reliable off-site power to help restore other power generation sources during outage emergencies.

Southwestern's participation in the regional electric reliability council and the regional transmission organization (RTO) in Southwestern's marketing area, as required by DOE's National Transmission Grid Study, reinforces Southwestern's role as part of the Nation's interconnected electric grid. As the

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<sup>a</sup> Reflects a 0.8% rescission in the amount of \$37,408 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

<sup>b</sup> Reflects a 1% rescission in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, in the amount of \$70,420.

demand for the transmission of power increases on the Nation's power systems, the need to maintain, repair, and provide for improvements on the Federal power system is critical in assuring reliable delivery. The Department has identified the Supervisory Control and Data Acquisition/Energy Management System (SCADA/EMS), transmission lines, substations, and communication facilities as critical infrastructure. Southwestern will continue to use appropriations and alternative financing arrangements, including net billing, bill crediting, and/or reimbursable authority (customer advances) to fund maintenance and replacements assuring a dependable and reliable Federal power system. Southwestern's authority to use net billing and bill crediting is inherent in the authority provided by the Flood Control Act of 1944, and has been affirmed by the Comptroller General.<sup>a</sup>

Southwestern's planned Operations and Maintenance projects are subject to change based on unanticipated equipment failure, customer needs, and weather conditions. The realities of maintaining a complex interconnected power system means unforeseen priority projects will arise periodically causing a reprioritization of planned projects. All projects share the commonality of maintaining, repairing, and improving the aging and deteriorating infrastructure to ensure the reliability of the Federal power system.

### Detailed Justification

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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**Power Marketing .....** **440** **436** **200**

The Power Marketing activity funds technical and economic studies to support Southwestern's transmission planning, water resources, communications, and maintenance activities. Technical and economic studies provide data to analyze and evaluate the impacts of proposed operational changes and decision-making based on cost/benefit analyses. Funding is also required for Southwestern's participation in the RTO and to provide regional power restoration assistance to other non-hydropower generation sources during outage emergencies. The NEP identified bottlenecks in the Nation's interconnected electrical grid, which could impede power flows. Studies to identify any constraints on Southwestern's system will be conducted. The funding level for this activity is derived from negotiated architect/engineering contracts and from the number of studies required per year. These studies operationally impact how Southwestern markets and delivers power. The decrease in funding of this activity is a result of a reduction in the Regional Transmission Organization (RTO) participation fees.

**Operations .....** **2,788** **2,544** **2,834**

The Operations activity funds communication activities associated with the dispatch and delivery of power; environmental, safety and health activities; and other transmission activity costs such as physical security, cyber security, and day-to-day power dispatch functions.

▪ **Communications .....** **1,831** **1,588** **1,849**

This subactivity funds telemetering improvements, technical support to protect cyber infrastructure, SCADA/EMS maintenance agreements, an e-tagging system that electronically schedules power for customers, load forecasting, digital test equipment, fee for spectrum, and supplies and materials. The telemetering improvements include replacement of obsolete power and energy accounting equipment and modification of existing remote terminal units that improve the reliability of the

<sup>a</sup> 1956 WL 3064 (Comp. Gen.)

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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power system, specifically in the areas of monitoring and control. Funding is required for upgrades that enable Southwestern to meet the goals of the NEP and DOE's Strategic Plan by replacing deteriorating infrastructure while assuring reliability and continuing to actively participate in the RTO. The funding level for communications maintenance is derived from maintenance history, the age of equipment, expected life span, annual diagnostic maintenance testing, and historical pricing information. Frequency spectrum relocation activities are expected to be funded from spectrum auction proceeds, thus no funding is provided in this subactivity. The increase in funding of this subactivity reflects additional telemetering improvements and maintenance agreements.

▪ **Environmental, Safety and Health..... 576 520 525**

This subactivity funds environmental activities including waste disposal/clean-up of oil and polychlorinated biphenyl contaminants from old circuit breakers and transformers; environmental assessments for threatened and endangered species, property transfers, wetland assessments, environmental library access, Toxic Substance Control Act and Resource Conservation Recovery Act compliance, contractor services, and requirements of DOE Order 450.1. The Safety and Health Program activities require funding for Occupational Safety and Health Administration compliance, aviation safety, industrial hygiene, medical examinations, medical officer, wellness program, safety equipment, and first aid supplies. The increase in funding is due to inflation.

▪ **Other Transmission ..... 381 436 460**

This subactivity funds physical security, field utility costs for substations and microwave sites, and the day-to-day expenses of the dispatch center. The increase in funding for this subactivity is due to physical security requirements mandated by the Department of Homeland Security to meet critical infrastructure protection program criteria as set forth in Presidential Decision Directive No. 63.

**Maintenance ..... 1,411 3,992 3,811**

The Maintenance activity funds routine repair, maintenance, and improvement of Southwestern's 24 substations and 1,380 miles of high-voltage transmission lines, and assures power is reliably and safely delivered to customers. Southwestern's initial facilities, which were built approximately 60 years ago, are constantly evaluated through the Maintenance Management Information System (MMIS). The funding level for this activity is derived from MMIS data (age, risk of failure, life cycle of equipment) and field crew evaluation. Internal and external factors include obsolescence of technology and lack of replacement parts. These are all variables used in determining the level of funding required for a fiscal year. This budget request reflects Southwestern's assessment of the funding required to assure continued reliability of the Federal power system by replacing aging equipment and removing constraints that impede power flows, thus meeting the expectations of the NEP and DOE's Strategic Plan.

▪ **Substation Maintenance ..... 810 2,710 2,960**

This subactivity funds a transformer, power circuit breakers, disconnect switches, protective relays and related equipment, computer aided drafting and design, revenue meters, vehicle maintenance, fuel, and other equipment to perform general maintenance projects while maintaining system reliability as required by Southwestern's participation in a regional electric reliability council. The

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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funding level for this subactivity is derived from MMIS data, which provides the age and condition of the existing equipment facilitating projection of maintenance intervals. The increase in funding for this subactivity reflects Southwestern's efforts to maintain reliability of the power system while accommodating increased loads on the Federal power facilities resulting from interconnection and open access requests from other utilities.

▪ **Transmission Line Maintenance ..... 601 1,282 851**

This subactivity funds the purchase of wood and steel structures, crossarms and braces, right-of-way (ROW) clearing, herbicide application, aerial patrol of the transmission system to identify maintenance needs, routine vehicle repair and maintenance, and fuel. The quantity of steel and wood poles and crossarms and high voltage insulators is derived from MMIS data. Emphasis is being placed on ROW clearing since NERC identified improper/insufficient ROW clearing as a major factor in the August 2003 east coast Blackout. The funding level is appropriate for the number of structures and components to be replaced and the miles of ROW to be cleared as set forth by Southwestern's maintenance plans in meeting the goals of the NEP to maintain a reliable transmission system. The decrease in funding reflects a funding shift to the Substation Maintenance subactivity to replace aging equipment. Southwestern's efforts to maintain reliability of the power system while accommodating increased loads on the Federal power facilities resulting from interconnection and open access requests from other utilities.

**Capitalized Movable Equipment ..... 0 0 300**

The Capitalized Movable Equipment activity funds the replacement of vehicles, tractor-trailers, and heavy equipment used for maintenance and repair of the transmission system and facilities. The replacement criteria Southwestern utilizes for specialized equipment needed to maintain 1,380 miles of transmission line is derived from the General Services Administration (GSA) and DOE guidelines based on operation duration and age. These vehicles exceed their useful lives and require high levels of maintenance. The vehicle cost estimates are derived from GSA pricing schedules. The increase for this activity reflects the transfer of funding from the Construction subprogram and the need to replace various types of special purpose vehicles effective in FY 2007.

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<b>Total, Operations and Maintenance.....</b>	<b>4,639</b>	<b>6,972</b>	<b>7,145</b>
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## Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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### Power Marketing

- Decrease reflects a reduction in RTO fees. .... -236

### Operations

- Increase reflects funding for communications equipment and related maintenance. .... +290

### Maintenance

- Decrease reflects a reduction in airlight and vehicle testing. .... -181

### Capitalized Movable Equipment

- Increase reflects the transfer of funding from the Construction subprogram and the need to replace various types of special purpose vehicles. .... +300

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**Total Funding Change, Operations and Maintenance** ..... **+173**

## Construction

### Funding Schedule by Activity

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Construction			
Transmission System.....	4,939	2,901	3,612
Capital Equipment Not Related to Construction .....	370	233	0
Total, Construction .....	5,309 <sup>a</sup>	3,134 <sup>b</sup>	3,612

### Description

The mission of the Construction subprogram is to assure continued reliability of the Federal power system by providing for additions, modifications, replacements, and interconnections to the transmission, substation, and communication facilities, thus meeting the expectations of the National Energy Policy (NEP) and the Department of Energy's (DOE) Strategic Plan. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern Power Administration's (Southwestern) program goal to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

### Benefits

The activities of the Construction subprogram enable Southwestern to market and deliver Federal hydropower in the most reliable, safe, efficient, cost effective manner to meet the operational criteria required as a participant in the National electrical grid while avoiding transmission infrastructure deterioration. Both the NEP and DOE's Strategic Plan reinforce the importance of renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation's past, current, and future energy supply and Southwestern's "important role in meeting demand" by supplying hydroelectric power to its customers. Southwestern's participation in the regional electric reliability council and the regional transmission organization, as required by DOE's National Transmission Grid Study, reinforces Southwestern's role as an integral part of the Nation's interconnected generation and transmission system. As the demand for the transmission of power on the Nation's power systems increases, the need to provide improvements, replacements, and interconnections on the Federal power system, which require expansion of or additions to existing facilities, is critical in assuring reliable delivery. Southwestern will continue to use appropriations and alternative financing arrangements, including net billing, bill crediting, and/or reimbursable authority (customer advances) with customers and others who provide services or funds to assure a dependable and reliable Federal power system.

<sup>a</sup> Reflects a 0.8% rescission in the amount of \$42,816 from the Consolidated (Omnibus) Appropriations Bill for FY 2005.

<sup>b</sup> Reflects a 1% rescission in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, in the amount of \$31,660.

Southwestern's authority to use net billing and bill crediting is inherent in the authority provided by the Flood Control Act of 1944, and has been affirmed by the Comptroller General.<sup>a</sup>

## Detailed Justification

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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<b>Transmission System.....</b>	<b>4,939</b>	<b>2,901</b>	<b>3,612</b>
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This activity funds all construction projects that require expansion of or additions to existing facilities. System reliability is assured by replacing aging and deteriorating equipment, thereby removing constraints that limit power flows. The projects reflect Southwestern's efforts to reduce the risk of extended service outages, avoid more costly replacements in the future, and support the increased transmission system usage. The funding level for this activity is derived from internal and external management decisions and maintenance crew observations regarding system age, risk of equipment failure, life cycles, obsolescence of technology, unavailable replacement parts, budget constraints, cost, and demand for more capacity. These variables are assessed and incorporated into Southwestern's 10-year construction plan. Southwestern's planned Construction projects are subject to change based on unanticipated equipment failure, customer needs, and weather conditions. The realities of maintaining a complex interconnected power system means unforeseen priority projects will arise periodically causing a reprioritization of planned projects. All projects share the commonality of replacing aging and deteriorating infrastructure necessary to maintain the reliability of the Federal power system.

<b>▪ Substation Equipment .....</b>	<b>474</b>	<b>0</b>	<b>0</b>
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This subactivity funds facility design work, installation of remote terminal units, substation metering, and telemetry equipment replacements.

<b>▪ Communication Equipment.....</b>	<b>4,465</b>	<b>2,901</b>	<b>3,612</b>
---------------------------------------	--------------	--------------	--------------

This subactivity funds all communication equipment and microwave tower replacements that are planned to provide improved system reliability and reduce future maintenance and equipment costs. The replacement of antiquated analog microwave radio equipment will provide a more reliable communication medium and facilitate the completion of an important communication ring in southeastern Oklahoma. Frequency spectrum relocation activities are expected to be funded from spectrum auction proceeds, thus no funding is provided in this subactivity. The increase in funding for FY 2007 reflects required communication equipment replacements.

This subactivity also provides funding for tower additions, replacements, and modifications that will allow Southwestern to complete an important communication ring within its network that will increase the reliability of communications with the generating plants and substations in the Oklahoma region. The communication system provides for the transfer of voice and data traffic to allow monitoring and control of power system generation and transmission assets.

In December 2004, the Congress passed and the President signed the Commercial Spectrum Enhancement Act (CSEA, Title II of P.L. 108-494), creating the Spectrum Relocation Fund (SRF) to streamline the relocation of Federal systems from certain spectrum bands to accommodate

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<sup>a</sup> 1956 WL 3064 (Comp. Gen.)

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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commercial use by facilitating reimbursement to affected agencies of relocation costs. The Federal Communications Commission has allocated this spectrum for Advanced Wireless Services, and plans to auction it as early as June 2006. Funds will be made available to agencies following the crediting of auction receipts to the SRF, anticipated in fiscal year 2007. Following the transfer of funds from the SRF to agency accounts, system relocation efforts will commence. Southwestern estimates \$6.3 million in relocation costs, as approved by the Office of Management and Budget, and as reported to the Congress by the Department of Commerce in December 2005. Funds are mandatory and will remain available until expended, and Southwestern will return to the SRF any amounts received in excess of actual relocation costs. This subactivity does not include funding for any of these relocation costs.

<b>Capital Equipment Not Related to Construction.....</b>	<b>370</b>	<b>233</b>	<b>0</b>
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This activity funds the replacement of vehicles, tractor-trailers, and heavy equipment used for maintenance and repair of the transmission system and facilities. The replacement criteria Southwestern utilizes for specialized equipment needed to maintain 1,380 miles of transmission line is derived from the General Services Administration (GSA) and DOE guidelines based on operation duration and age. These vehicles exceed their useful lives and require high levels of maintenance. The vehicle cost estimates are derived from GSA pricing schedules. This activity was transferred to the Operations and Maintenance subprogram in FY 2007 to be consistent with the vehicles' purpose.

<b>Total, Construction.....</b>	<b>5,309</b>	<b>3,134</b>	<b>3,612</b>
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### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Transmission System

- The increase in funding reflects requirements for communication equipment replacement, installation, modification, and microwave tower replacements and modifications at various sites in the Oklahoma region necessary to complete a backbone of the communication path with substations and generating plants, resulting in improved reliability and upon completion, elimination of single point failures. .... +711

#### Capital Equipment Not Related to Construction

- The decrease in funding reflects the transfer of this activity to the Operations and Maintenance subprogram. .... -233

<b>Total Funding Change, Construction.....</b>	<b>+478</b>
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## Purchased Power and Wheeling

### Funding Schedule by Activity

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
Purchased Power and Wheeling (PPW) <sup>a</sup>			
System Support .....	8,000	9,100	10,300
Other Contractual Services .....	3,200	3,300	3,300
Total, PPW (gross).....	11,200	12,400	13,600 <sup>b</sup>
Use of Alternative Financing – Reimbursable Authority (customer advances), Net Billing, Bill Crediting:			
Purchased Power.....	-3,200	-2,825	-3,825
Power Losses.....	-1,900	-3,300	-3,500
Wheeling .....	-3,200	-3,275	-3,275
Subtotal, Alternative Financing .....	-8,300	-9,400	-10,600
Subtotal, PPW .....	2,900	3,000	3,000
Offsetting Collections.....	-2,900	-3,000	-3,000
Total, Purchased Power and Wheeling .....	0	0	0

### Description

The mission of the Purchased Power and Wheeling (PPW) subprogram is to provide for the purchase of energy to meet limited peaking power contractual obligations and the delivery of Federal power. Such purchases are blended with the available Federal hydroelectric power and energy to make a more beneficial and reliable product while assuring repayment of the Federal investment plus interest, thus meeting the expectations of the National Energy Policy (NEP) and the Department of Energy's (DOE) Strategic Plan. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern Power Administration's (Southwestern) program goal to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

<sup>a</sup> The Continuing Fund presently codified at 16 U.S.C. 825s-1, as amended by Public Law No. 101-101, will continue to be used to defray emergency expenses to ensure continuity of electric service. Actual Continuing Fund usage for FY 2005 was \$2,094,926. In FY 2006, the Continuing Fund was activated again due to continued drought conditions.

<sup>b</sup> Southwestern's budget request for FY 2007 is based on average hydropower generation under normal operating conditions at pre-Katrina prices with minimal energy banking assumed available. However, in FY 2006, a significant shift to a post-Katrina pricing regime and the loss of availability of energy banking arrangements will cause future years' purchase requirements to increase.

**Benefits**

The activities of the PPW subprogram provide for the purchase of energy to meet limited peaking power contractual obligations. Southwestern’s power sales contracts provide for only 1200 hours of peaking power per year, representing a portion of its customers’ firm load requirements. The customers provide their own resources and/or purchases for the remainder of their firm loads. This subprogram also provides for wheeling services that deliver Federal power to optimize the operation of the hydroelectric facilities marketed by Southwestern. Both the NEP and DOE’s Strategic Plan reinforce the importance of domestic, renewable hydroelectric energy by emphasizing its ongoing significant contribution to the Nation’s past, current, and future energy supply and Southwestern’s “important role in meeting demand” by supplying hydroelectric power to its customers.

The reduced level of energy banking available from other electric utilities requires Southwestern to use alternative financing to fund power deliveries in FY 2007. Southwestern will continue to use Federal power receipts and alternative financing methods, including net billing, bill crediting, and/or reimbursable authority (customer advances) to fund this subprogram. When hydro generation is below-normal, Southwestern will utilize the Continuing Fund to defray emergency expenses to ensure continuity of electric service.

**Detailed Justification**

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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**System Support ..... 8,000 9,100 10,300**

This activity funds purchased power requirements that fulfill all 1200-hour contractual peaking power obligations with customers. In addition, energy purchases must be provided for replacement of transmission line losses associated with the delivery of non-Federal power over the Federal transmission system as required under Federal Energy Regulatory Commission (FERC) Order 888. Southwestern will continue to deliver limited peaking power and provide for power losses through power purchases. Southwestern will continue to use Federal power receipts and alternative financing methods, including net billing, bill crediting, and/or reimbursable authority (customer advances) to meet purchased power requirements. The increase in funding in this activity is needed to purchase power to fulfill contractual requirements under average water conditions together with volatile market prices and limited availability of energy banks.

**Other Contractual Services ..... 3,200 3,300 3,300**

This activity funds other contractual services that provide for wheeling associated with the purchase of transmission service to meet limited peaking power obligations and for the integration of projects for the delivery of Federal power. The funding level for this activity is derived from contractual wheeling requirements. Southwestern will continue to use Federal power receipts and alternative financing methods, including net billing, bill crediting, and/or reimbursable authority (customer advances) to meet wheeling requirements.

**Total, Purchased Power and Wheeling ..... 11,200 12,400 13,600**

## Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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### System Support

▪ Increase in system support reflects anticipated needs based on average water conditions and volatile market prices, and limited availability of energy banks.....	+1,200
<b>Total Funding Change, Purchased Power and Wheeling .....</b>	<b>+1,200</b>



## Program Direction

### Funding Profile by Category

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Program Direction			
Salaries and Benefits .....	15,729	16,255	17,150
Travel .....	635	629	665
Support Services .....	1,375	1,351	1,422
Other Related Expenses .....	1,430	1,523	1,545
Total, Program Direction .....	19,169 <sup>a</sup>	19,758 <sup>b</sup>	20,782
Full time Equivalents .....	172	179	179

### Mission

The mission of the Program Direction subprogram is to assure continued reliability of the Federal power system by utilizing the Federal staffing resources and associated funds required to provide overall direction and execution of Southwestern Power Administration's (Southwestern) Operation and Maintenance Program. This subprogram supports the President's National Energy Policy (NEP) and the Department of Energy's (DOE) Energy Mission, Strategic Goal 4, Energy Security, by providing delivery of reliable, affordable, and environmentally sound energy to the Nation. This subprogram fulfills the requirements of Section 5 of the Flood Control Act of 1944 and reflects Southwestern's program goal to provide the benefits of Federal power to customers by selling and reliably delivering power from Federal multipurpose hydroelectric dams at the lowest cost-based rates possible that produce revenues sufficient to repay all power costs to the American taxpayers.

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program offices in the Department, but also with additional effort from offices which support the programs in carrying out the mission. The Program Direction subprogram provides compensation and all related expenses for 179 Federal personnel, who market, deliver, operate, and maintain Southwestern's high-voltage interconnected power system and associated facilities.

Southwestern performs critical functions in meeting the challenges of operating and maintaining the Federal power system to assure reliability, while meeting the growing demand for power and avoiding deterioration of the infrastructure, including managing information technology, ensuring sound legal advice and fiscal stewardship, developing and implementing uniform program policy and procedures, maintaining and supporting our workforce, safeguarding our facilities, and providing Congressional and public liaison.

<sup>a</sup> Reflects a 0.8% rescission in the amount of \$154,592 from the FY 2005 Consolidated (Omnibus) Appropriations Bill.

<sup>b</sup> Reflects a 1% rescission in accordance with P.L. 109-148, Emergency Supplemental Appropriations to Address Hurricanes in the Gulf of Mexico and Pandemic Influenza, 2006, in the amount of \$199,580.

Southwestern is committed to performing its mission while supporting the goals, objectives, and initiatives of DOE's Strategic Plan, the NEP, and the President's Management Agenda. Southwestern assessed its performance in all five initiatives of the President's Management Agenda [Strategic Management of Human Capital, Expanded Electronic Government (E-Government), Competitive Sourcing, Improved Financial Performance, and Budget and Performance Integration] and is "Green" in all four relevant initiatives.

The Program Direction subprogram further supports Southwestern's Human Capital Management (HCM) Workforce Plan. Southwestern's Human Capital initiative is linked with careful planning and administration of its budget. This linkage is manifested in planning to assure that funds are available and allocated properly to support the initiative's elements. HCM Workforce Plan requirements include: reducing the number of managers, reducing the number of organizational layers, reducing the time to make decisions, increasing the span of control, redirecting positions to the front lines, improving operational processes, and addressing other key workforce challenges.

By the end of FY 2007, approximately 30 percent of Southwestern's staff will be eligible for retirement. However, Southwestern will remain an Agency with a strong staff of professionals dedicated to the pursuit of excellence by continuing to invest in its current employees, emphasize strong development programs, complete skills gap analysis, and pursue aggressive recruitment and retention efforts as identified in its HCM Workforce Plan.

Southwestern continues to share facilities and administrative services with another DOE office at Southwestern's Tulsa Headquarters facility. This arrangement continues to be cost efficient and beneficial for both organizations.

## Detailed Justification

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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<b>Salaries and Benefits .....</b>	<b>15,729</b>	<b>16,255</b>	<b>17,150</b>
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This activity funds salaries and benefits for 179 skilled Federal employees, who market and deliver Federal hydropower by operating and maintaining Southwestern's high-voltage interconnected power system with its associated facilities and providing support for these functions. The funding level for salaries is derived from the current year budgeted salaries plus cost-of-living adjustments, promotions, and within grade increases. The funding level for benefits is derived from a percentage of budgeted salaries. Benefits continue to increase faster than salaries due to rising health insurance premiums and the higher annual benefit cost of an increasing number of FERS employees relative to CSRS employees.

The FY 2007 level supports 179 FTE: 55 percent of the employees are General Schedule (GS) and subject to the President's proposed 2.3 percent cost of living adjustment; salaries of the remaining 45 percent (craft workers and power system dispatchers) are determined through union negotiations and wage surveys. This activity also includes overtime, awards, relocation, workers' compensation, recruitment bonuses, retention pay, and advanced in-hire rates. The increase in funding is due to cost of living adjustments and significantly rising benefit costs for GS employees, craft workers, and power system dispatchers.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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**Travel..... 635 629 665**

This activity funds all related travel and per diem expenses incurred in the operation and maintenance of Southwestern's geographically dispersed power system. The funding level for this activity is primarily derived from the daily requirement of the field maintenance personnel to maintain 1,380 miles of transmission line, 24 substations, 47 microwave/radio sites, communication equipment, and the Supervisory Control and Data Acquisition network.

This activity also includes travel related to participation with the regional electric reliability council and regional transmission organization to establish procedures for providing regional power restoration assistance to other non-hydropower generation sources during outage emergencies, E-Government related initiatives, and performance of general and administrative functions. The increase in funding for this activity is due to rising per diem, transportation rates, and fuel costs for mission-related travel to maintain the integrity and reliability of the integrated electrical grid.

**Support Services..... 1,375 1,351 1,422**

This activity funds contracted management support services including information technology, E-Government, and administrative/records management support. The funding level for this activity is derived from the most recent negotiated contract for support services essential to achieve Southwestern's mission. The increase in funding for this activity reflects the terms of the negotiated contract.

**Other Related Expenses..... 1,430 1,523 1,545**

This activity funds rental space; office equipment such as copiers, printers, and related maintenance; paper; training; tuition fees; and the employee and management development programs in support of the President's Management Agenda initiative for Human Capital. Personnel-related activities include special emphasis programs for minority and handicapped recruitment, investigations in support of the EEO program, cross training, and mentoring assignments.

Other funding requirements include training for NERC emergency operations requirements; financial audit; business gateway, geospatial one-stop, recruitment one-stop, enterprise human resources initiative, lines of business, and integrated acquisition environment in support of E-Government; management assessment of the effectiveness of internal controls; public affairs; janitorial services; mail services; headquarters facility security; and services of the Power Marketing Liaison Office (PMLO). The funding level for this activity is derived from Southwestern's training plan, age of equipment, comparative vendor estimates, and leased space contract terms. The increase in funding for this activity is primarily due to the terms of the negotiated contract for rental space, the financial audit, and the Power Marketing Liaison Office expenses.

**Total, Program Direction..... 19,169 19,758 20,782**

## Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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### Salaries and Benefits

- Increase in salaries and benefits reflects wage survey-based union-negotiated and Administratively Determined pay adjustments, and a 2.3% cost of living adjustment for GS employees. The payroll benefits are increasing at a rate in excess of salaries. .... +895

### Travel

- Increase reflects rising per diem rates and fuel costs for mission-related travel to maintain the transmission system. .... +36

### Support Services

- Increase reflects funding for support services per the negotiated contract..... +71

### Other Related Expenses

- Increase in training reflects NERC emergency operations requirements. .... +5
- Increase in printing and reproduction. .... +1
- Increase in rental space costs due to the terms of the negotiated contract. .... +45
- Increase in financial audit per contractual terms ..... +5
- Decrease in other expenses ..... -34

Subtotal Funding Changes, Other Related Expenses .....	+22
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<b>Total Funding Change, Program Direction .....</b>	<b>+1,024</b>
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## Support Services by Category

(dollars in thousands)					
	FY 2005	FY 2006	FY 2007	\$ Change	% Change
Total, Technical Support .....	0	0	0	+0	+0.0%
Management Support					
Management and professional support services .....	1,375	1,351	1,422	+71	+5.3%
Total, Management Support .....	1,375	1,351	1,422	+71	+5.3%
Total, Support Services .....	1,375	1,351	1,422	+71	+5.3%

## Other Related Expenses by Category

(dollars in thousands)					
	FY 2005	FY 2006	FY 2007	\$ Change	% Change
Other Related Expenses					
Training .....	87	92	97	+5	+5.4%
Printing and Reproduction .....	42	40	41	+1	+2.5%
Rent to Others .....	632	634	679	+45	+7.1%
Financial Audit .....	215	220	225	+5	+2.3%
Power Marketing Liaison Office .....	139	140	140	+0	+0.0%
Other .....	315	397	363	-34	-8.6%
Total, Other Related Expenses .....	1,430	1,523	1,545	+22	+1.4%



## Revenues and Receipts

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
Gross Revenues			
Sale and Transmission of Electric Energy .....	122,730	132,700	148,045 <sup>a</sup>
Total, Gross Revenues .....	122,730	132,700	148,045
Net Billing Credited as an Offsetting Receipt .....	-27,871	-29,500	-17,200
Offsetting Collections Realized, Purchased Power and Wheeling (PPW) <sup>b</sup> .....	-2,900	-3,000	-3,000
Continuing Fund Usage for PPW <sup>c</sup> .....	-2,095	0	0
Total Proprietary Receipts .....	89,864	100,200	127,845
Percent of Sales to Preference Customers .....	100.0%	100.0%	100.0%
Energy Sales and Power Marketed (billion kilowatt hours) .....	6.3	5.4	5.4

<sup>a</sup> Reflects an increase in revenues in the amount of \$12,145,000 due to a rate increase to cover purchased power costs based on average hydropower generation under normal operating conditions at a post-Katrina pricing regime and with no available energy banking arrangements.

<sup>b</sup> Reflects use of power receipts to fund purchased power and wheeling activities based on average hydropower generation under normal operating conditions at pre-Katrina prices with minimal energy banking assumed available.

<sup>c</sup> In FY 2005, the Continuing Fund was utilized for power purchases in the amount of \$2,094,926. In FY 2006, the Continuing Fund was activated again due to continued drought conditions.

## System Statistics

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Estimate
Generating Capacity (kilowatts)			
Installed Capacity.....	2,181,800	2,181,800	2,181,800
Peak Capacity .....	2,052,538	2,052,500	2,052,500
Generating Stations			
Generating Projects (Number).....	24	24	24
Substations/Switchyards (Number).....	24	24	24
Substations/Switchyards (kVA Capacity).....	1,026,900	1,026,900	1,026,900
Available Energy (Megawatt hours)			
Energy Generated.....	6,463,143	5,412,700	5,412,700
Energy Received.....	47,013	186,700	186,700
Total, Energy Available for Marketing .....	6,510,156	5,599,400	5,599,400
Transmission Lines (Circuit-Miles)			
161-KV .....	1,117	1,117	1,117
138-KV .....	164	164	164
69-KV.....	99	99	99
Total, Transmission Lines .....	1,380	1,380	1,380

## System Map



## Power Marketed, Wheeled, or Exchanged By Project

	State	Number of Plants	Installed Capacity (kW)	FY 2005 Actual Energy (GWh)	FY 2006 Estimated Energy (GWh)	FY 2007 Estimated Energy (GWh)
Power Marketed						
Interconnected System .....	Missouri	4	463,200	2,192	1,872	1,872
	Arkansas	9	1,045,100	1,151	983	983
	Oklahoma	7	514,100	1,242	1,061	1,061
	Texas	2	100,000	632	540	540
	Louisiana	0	0	420	359	359
	Kansas	0	0	476	406	406
Subtotals .....		22	2,122,400	6,113	5,221	5,221
Isolated:						
Robert D. Willis Project						
Sam Rayburn Project						
50% to Texas.....		2	59,400	173	76	76
50% to Louisiana.....		0	0	20	76	76
Subtotals .....		2	59,400	193	152	152
Total, Power Marketed.....		24	2,181,800	6,306	5,373	5,373
Power Wheeled/Exchanged						
Wheeled (MW).....				1,021	1,098	1,124
Exchanged (GWh).....				28	54	51

## **Pending Litigation**

As of December 20, 2005, Southwestern has the following pending litigation:

Southwestern has no court litigation pending.

Southwestern Power Administration (Southwestern) is an intervenor in the following actions pending before the Federal Energy Regulatory Commission:

- Union Electric Ameren UA, Docket No. P-459-128, requested a license for a major project for the Osage project existing dam. Southwestern filed a Motion to Intervene on April 27, 2004, to protect its interests.
- Markham Ferry Grand River Dam Authority (GRDA), Docket No. P-2183-036, requested approval for a new major license. Southwestern filed a Motion to Intervene on April 27, 2004. Markham Ferry lies immediately upstream of the Fort Gibson project. The outcome of these proceedings could produce a change in the inflows of Ft. Gibson, which could affect the Federal hydropower purpose.

Southwestern has one tort claim pending.

Southwestern has three EEO claims pending.

Southwestern's management believes the possibility of incurring financially material liability in these matters is remote.





# **Western Power Administration**

# **Western Power Administration**

## **Construction, Rehabilitation, Operation and Maintenance Western Area Power Administration**

### **Proposed Appropriation Language**

For carrying out the functions authorized by title III, section 302(a)(1)(E) of the Act of August 4, 1977 (42 U.S.C. 7152), and other related activities including conservation and renewable resources programs as authorized, including official reception and representation expenses in an amount not to exceed \$1,500; [~~\$233,992,000~~] *\$212,213,000*, to remain available until expended, of which [~~\$229,596,000~~] *\$208,776,000* shall be derived from the Department of the Interior Reclamation Fund: *Provided*, That of the amount herein appropriated, [~~\$6,700,000~~] *\$6,893,000* is for deposit into the Utah Reclamation Mitigation and Conservation Account pursuant to tile IV of the Reclamation Projects Authorization and Adjustment Act of 1992: [*Provided further*, That of the amount herein appropriated, \$6,000,000 shall be available until expended on a nonreimbursable basis to the Western Area Power Administration for Topock-Davis-Mead Transmission Line Upgrades: ] *Provided further*, That notwithstanding the provision of 31 U.S.C. 3302, up to [~~\$279,000,000~~] *\$274,852,000* collected by the Western Area Power Administration pursuant to the Flood Control Act of 1944 and the Reclamation Project Act of 1939 to recover purchase power and wheeling expenses shall be credited to this account as offsetting collections, to remain available until expended for the sole purpose of making purchase power and wheeling expenditures. (Energy and Water Development Appropriations Act, 2006).

### **Explanation of Change**

The language deleted removes Congressional directed non-reimbursable funding for the Topock-Davis-Mead transmission line upgrades.



## **Falcon and Amistad Operating and Maintenance Fund**

### **Proposed Appropriation Language**

For operation, maintenance, and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams, [\$2,692,000,] \$2,500,000, to remain available until expended, and to be derived from the Falcon and Amistad Operating and Maintenance Fund of the Western Area Power Administration, as provided in section 423 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995. (Energy and Water Development Appropriations Act, 2006.)

### **Explanation of Change**

No changes proposed for FY 2007.



# Western Area Power Administration

## Overview Appropriation Summary by Program

(dollars in thousands)

	FY 2005 <sup>a</sup> Current Appropriation	FY 2006 Original Appropriation	FY 2006 <sup>b</sup> Adjustments	FY 2006 Current Appropriation	FY 2007 Request
Western Area Power Administration					
Construction, Rehabilitation, Operation and Maintenance (CROM) Operating Expenses (Gross) <sup>c</sup> .....	508,614	575,289	-67	572,949	688,511
Less Use of Alternative Financing.....	-105,631	-58,135	-2,273	-58,135	-197,741
Offsetting Collections from Colorado River Dam Fund (P.L. 98-381) .....	-3,668	-4,162	0	-4,162	-3,705
Offsetting Collections, Purchase Power and Wheeling (PPW) .....	-227,600	-279,000	0	-279,000	-274,852
Total, CROM (Budget Authority).....	171,715	233,992	-2,340	231,652	212,213
 Total, Falcon and Amistad Operating and Maintenance Fund (Budget Authority).....	 2,804	 2,692	 -27	 2,665	 2,500
 Colorado River Basins Power Marketing Fund (CRBPMF) Operating Expenses.....	 206,617	 171,268	 0	 171,268	 221,081
Offsetting Collections Realized.....	-206,617	-194,268	0	-194,268	-244,081
Total, CRBPMF (Budget Authority).....	0	-23,000	0	-23,000	-23,000
Total, Western Area Power Administration (Budget Authority) .....	174,519	213,684	-2,367	211,317	191,713

### Preface

As the Nation moves forward to strengthen its national and economic security, the Department of Energy (DOE) leads a critical effort promoting a diverse energy supply through the delivery of reliable, affordable, and environmentally sound energy. Western Area Power Administration (Western), in conjunction with the U.S. Army Corps of Engineers (Corps), the U.S. Bureau of Reclamation (BOR), and the State Department's International Boundary and Water Commission (IBWC), supports this critical effort by managing the multipurpose operation of the Federal hydropower system to effectively deliver a supply of reliable hydropower across a well operated and maintained, high-voltage, integrated transmission system, thereby limiting energy emergencies and reliance on energy imports.

<sup>a</sup> FY 2005 reflects the general 0.80 percent across-the-board rescission of \$1,384,800 to the CROM account, and \$22,616 to the Falcon and Amistad account (P.L. 108-447).

<sup>b</sup> FY 2006 adjustments reflect the general 1.00 percent across-the-board rescission of \$2,339,920 to the CROM account, and \$26,920 to the Falcon and Amistad account (P.L. 109-148).

<sup>c</sup> FY 2005, FY 2006, and FY 2007 CROM funding amounts include \$43,608,000, \$42,397,000 and \$153,079,000 respectively, for planned alternative financing of the PPW subprogram; including use of Western's Continuing Fund as necessary to respond to below normal hydropower generation conditions. In addition, the FY 2005, FY 2006, and FY 2007 CROM funding amounts include \$62,023,000, \$15,738,000 and \$44,662,000, respectively, for planned alternative financing of Western's Operation & Maintenance, Construction and Rehabilitation, and Program Direction subprograms.

**Western Area Power Administration/**

**Overview**

**FY 2007 Congressional Budget**

Within the three appropriation accounts (e.g. Construction, Rehabilitation, Operation and Maintenance Account (CROM), the Falcon and Amistad Operating and Maintenance Fund, and the Colorado River Basins Power Marketing Fund (CRBPMF)), there is one program: the Western Area Power Administration (total of eight subprograms (five subprograms in the CROM account, one subprogram in the Falcon and Amistad O&M Fund, and two subprograms in the CRBPMF)).

This Overview describes the Strategic Context, Mission, Benefits, Strategic Goals, and Funding by General Goal. These items together put the appropriations in perspective. The Annual Performance Results and Targets, Means and Strategies, and Validation and Verification sections address how the goals will be achieved and how performance will be measured. Finally, this Overview addresses the Program Assessment Rating Tool (PART) and Significant Program Shifts.

### **Strategic Context**

Following publication of the Administration's National Energy Policy, the Department developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven general goals to support the strategic goals. Each appropriation has developed quantifiable goals to support the general goals. Thus, the "goal cascade" is the following:

Department Mission – Strategic Goal (25 yrs) – General Goal (10-15 yrs) – Program Goal (GPRA<sup>a</sup> Unit) (10-15 yrs)

To provide a concrete link between budget, performance, and reporting, the Department developed a "GPRA unit" concept. Within DOE, a GPRA Unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA Unit has completed or will complete a Program Assessment Rating Tool (PART). A unique program goal was developed for each GPRA unit. A numbering scheme has been established for tracking performance and reporting.<sup>b</sup>

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals and, ultimately, to DOE's mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and to tie resources to each goal at any level in the cascade. Thus, the cascade facilitates the integration of budget and performance information in support of the GPRA and the President's Management Agenda (PMA).

### **Mission**

Western markets and delivers reliable, cost-based Federal hydroelectric power and related services in the central and western United States. Western repays the Federal investment for which it is responsible within the timeframes established by law and regulations.

### **Benefits**

Western delivers reliable, affordable, and environmentally sound hydropower and related services across a 1.3-million-square-mile area to a diverse group of 750 wholesale customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American

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<sup>a</sup> Government Performance and Results Act of 1993.

<sup>b</sup> The numbering scheme uses the following numbering convention: First 2 digits identify the General Goal (01 through 07); second two digits identify the GPRA Unit; last four digits are reserved for future use.



tribes. Western's marketing efforts and delivery capability provide for recovery of annual operational costs, including the generating agencies' hydropower-related costs, and repayment of taxpayer investment, with interest, in the Federal hydropower program.

### Strategic, General, and Program Goals

The Department's Strategic Plan identifies four strategic goals (one each for defense, energy, science, and environmental aspects of the mission) plus seven general goals that tie to the strategic goals. The Western appropriations support the following goal:

Energy Strategic Goal: To protect our national and economic security by promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy.

General Goal 4, Energy Security: Improve energy security by developing technologies that foster a diverse supply of reliable, affordable and environmentally sound energy by providing for reliable delivery of energy, guarding against energy emergencies, exploring advanced technologies that make a fundamental improvement in our mix of energy options, and improving energy efficiency.

The Western program funded by the CROM account, the Falcon and Amistad Operating and Maintenance Fund, and the CRBPMF has one Program Goal that contributes to the General Goal in the "goal cascade." This goal is:

Program Goal 04.53.00.00: Western Area Power Administration - Market and deliver Federal power to assure that customers receive the benefits of Federal resources while producing sufficient revenue to repay the American taxpayers' investments allocated to power.

### Contribution to General Goal

Within Western's three accounts (CROM account, the Falcon and Amistad Operating and Maintenance Fund, and the CRBPMF), Western contributes to General Goal 4, Energy Security, by performing its power marketing mission in a manner that:

- ensures the reliability of its power system in an evolving electric utility industry,
- repays the United States Treasury for the costs associated with generating and transmitting power and related services within the timeframes established by law and regulation, and
- maintains the safety of employees and the public.

### Funding by General and Program Goal

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
General Goal 4, Energy Security			
Program Goal 04.53.00.00, Western Area Power Administration			
Construction, Rehabilitation, Operation and Maintenance.....	508,614	572,949	688,511
Falcon and Amistad Operating and Maintenance Fund.....	2,804	2,665	2,500
Colorado River Basins Power Marketing Fund Operating Expenses.....	206,617	171,268	221,081
Total, General Goal 4 (Western Area Power Administration).....	718,035	746,882	912,092

## Annual Performance Results and Targets

FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Results	FY 2006 Targets	FY 2007 Target s
General Goal 4, Energy Security					
Western Area Power Administration					
<u>Transmission System</u> <u>Performance: Ensure that each</u> <u>power system control area</u> <u>operated by a PMA receives, for</u> <u>each month of the fiscal year, a</u> <u>Control Compliance Rating of</u> <u>"Pass" using the North</u> <u>American Electric Reliability</u> <u>Council performance standard.</u> <u>(MET GOAL)</u>	<u>Transmission System</u> <u>Performance: (MET GOAL)</u>  <u>Actual:</u> <u>CPS1: 185.6</u> <u>CPS2: 98.1</u>  <u>Industry average:</u> <u>CPS1: 169.1</u> <u>CPS2: 96.5</u>	<u>System Reliability</u> <u>Performance: The target is to</u> <u>attain monthly NERC</u> <u>compliance ratings of 100 or</u> <u>higher for Control</u> <u>Performance Standard (CPS)</u> <u>1 and a rating of 90 or above</u> <u>for CPS2. (MET GOAL)</u>  <u>Actual:</u> <u>CPS1 :184.0</u> <u>CPS2:98.3</u>  <u>Industry average:</u> <u>CPS1: 165.1</u> <u>CPS2: 96.7</u>	<u>System Reliability Performance:</u> <u>Attain acceptable North</u> <u>American Electric Reliability</u> <u>Council (NERC) ratings for the</u> <u>following Control Performance</u> <u>Standards (CPS) measuring the</u> <u>balance between power</u> <u>generation and load: 1) CPS1</u> <u>which measures generation/load</u> <u>balance and support system</u> <u>frequency on one minute</u> <u>intervals (rating&gt;100); and 2)</u> <u>CPS2 which limits any</u> <u>imbalance magnitude to</u> <u>acceptable levels (rating&gt;90).</u> <u>(MET GOAL)</u>	<u>System Reliability Performance:</u> <u>Attain acceptable North</u> <u>American Electric Reliability</u> <u>Council (NERC) ratings for the</u> <u>following Control Performance</u> <u>Standards (CPS) measuring the</u> <u>balance between power</u> <u>generation and load: 1) CPS1</u> <u>which measures generation/load</u> <u>balance and support system</u> <u>frequency on one minute</u> <u>intervals (rating&gt;100); and 2)</u> <u>CPS2 which limits any</u> <u>imbalance magnitude to</u> <u>acceptable levels (rating&gt;90).</u>	<u>System Reliability Performance:</u> <u>Attain acceptable North American</u> <u>Electric Reliability Council</u> <u>(NERC) ratings for the following</u> <u>Control Performance Standards</u> <u>(CPS) measuring the balance</u> <u>between power generation and</u> <u>load: 1) CPS1 which measures</u> <u>generation/load balance and</u> <u>support system frequency on one</u> <u>minute intervals (rating&gt;100); and</u> <u>2) CPS2 which limits any</u> <u>imbalance magnitude to</u> <u>acceptable levels (rating&gt;90).</u>

Actual:  
CPS1: 183.9  
CPS2: 98.2

Industry average:  
CPS1: 161.4  
CPS2: 95.9

System Reliability Performance:  
Accountable customer and/or  
transmission element outages  
will not exceed the average  
number of outages for the past  
five years. (MET GOAL)

Goal: <= 23 outages  
Actual: 23

System Reliability  
Performance:  
Accountable customer and/or  
transmission element outages  
will not exceed the average  
number of outages for the  
past five years. (MET  
GOAL)

Goal: <= 26 outages  
Actual: 21

System Reliability Performance:  
Maintain ratio of unanticipated  
repair work hours to total  
maintenance hours at 16% or  
less. (MET GOAL)

Actual: 7.1%

FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Results	FY 2006 Targets	FY 2007 Targets
<p>Repayment of Federal Power Investment: Meet planned repayment of principal on power investment. (MET GOAL)</p> <p>Goal: \$30.9 M Actual: \$57.2 M</p>	<p>Repayment of Federal Power Investment: (MET GOAL)</p> <p>Goal: \$24.9 M Actual: \$32.2M</p>	<p>Repayment of Federal Power Investment: Meet planned annual repayment of principal on Federal power investment. (MET GOAL)</p> <p>Goal: \$31.9 M Actual: \$93.6M</p>	<p>Repayment of Power Investment: Ensure unpaid investment is equal to or less than the allowable unpaid investment. Achieve a ratio of unpaid to allowable unpaid <math>\leq 1.00</math>. (MET GOAL)</p> <p>Actual: 1.0</p>		
<p>Safety: Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of 3.3 or less, or the latest published Bureau of Labor Statistics' industry rate, whichever is lower. (MET GOAL)</p> <p>Actual: 1.7 Industry: 5.0</p>	<p>Safety: Recordable accident frequency rate: (MET GOAL)</p> <p>Actual: 2.5 Industry 5.0</p>	<p>Recordable Accident Frequency Rate: Achieve a recordable accident frequency rate for recordable injuries per 200,000 hours worked of not greater than 3.3. (MET GOAL)</p> <p>Actual 1.6</p>			

## Means and Strategies

Western will use various means and strategies, outlined below, to achieve its program goal to ensure customers continue to receive maximum benefit from the Federal hydropower program while repayment of taxpayer investment in the program is secured. Various external factors are also shown which may impact Western's ability to achieve these goals. In addition, Western also requires the collaborative support of its Federal hydropower partners to help achieve its goals.

Western will implement the following means:

- Western will make improvements and perform maintenance on its transmission, communications, and control systems while adhering to strict safety practices.
- Western will also make improvements to its analytic capabilities, work force skills, and employee retention.

Western will continue the following strategies:

- Western will use sound business practices and prudent risk management.
- Western will continue to train its employees in occupational safety and health regulations, policies, and procedures, and hold safety meetings at employee, supervisory and management levels to keep its safety culture strong. Accidents will be reviewed to ensure that lessons are learned and proper work controls are in place.

The following external factors could affect Western's ability to achieve its goals:

- Achieving and maintaining system reliability can be affected by weather, natural disasters, changes in NERC operation standards, deregulation of the electricity market, changing electric industry organizational structures, additions to other utilities' transmission systems interconnected to the Federal system, new load patterns, and lack of adequate funding resources.
- Achieving and maintaining planned repayment can be affected by weather, power markets, natural disasters, and other external costs and revenue factors.
- Achieving and maintaining safety goals can be affected by weather conditions, encroachment on rights-of-way, terrain, location of the equipment being maintained, and the loss of expertise due to retirements and the inability to replace the expertise.

Successful collaboration of the Federal hydropower partners is necessary for Western to achieve its goals. Western coordinates its operational activities with the Corps, BOR, IBWC, customers, and regional utilities to provide the most efficient use of Federal assets and to make sure we meet operational standards developed by NERC and regional reliability councils.

## Validation and Verification

Annual performance goals for operational reliability are evaluated against North American Electric Reliability Council (NERC) operating standards for the electric utility industry; repayment performance is determined by standards set forth in DOE Order RA 6120.2; and safety performance is baselined

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against an aggressive target that has typically been about 30 percent better than Bureau of Labor Statistics published industry safety rates.

To validate and verify program performance, Western will conduct various internal reviews and audits. In addition, Western's program is subject to continuing independent review by external entities such as Congress, the Government Accountability Office (GAO), the Department's Inspector General, the FERC, the U.S. Environmental Protection Agency, the Office of Personnel Management, NERC, and the regional reliability councils.

### **Program Assessment Rating Tool (PART)**

The Department implemented a tool to evaluate selected programs. PART was developed by the Office of Management and Budget (OMB) to provide a standardized way to assess the effectiveness of the Federal Government's portfolio of programs. The structured framework of PART provides a means through which programs can assess their activities differently than through traditional reviews.

The current focus is to establish outcome- and output-oriented goals, the successful completion of which will lead to public benefits, such as increased national security and energy security, and improved environmental conditions. DOE has incorporated feedback from OMB into the FY 2007 Budget Request, and the Department will take the necessary steps to continue to improve performance.

For the FY 2004 Budget, Western participated in a program assessment with OMB using PART. The resulting scores and findings were provided to Congress with the FY 2004 budget request. In the PART review, OMB gave Western scores for Planning (78), Results and Accountability (78), and Management (91). These scores were attributed to Western meeting national electric utility standards, conducting internal management reviews, and having a well-developed and reviewed transmission replacement program. OMB provided a lower score for Program Purpose (60); this score was attributed to OMB's findings that suggest Western's purpose does not make a unique contribution to solving the industry's problems and competes with private industry. To address several of the findings, changes in law would be required. The GAO has identified other areas it believes can be improved under existing authorizations. Western will continue to pursue its statutory mandates with regard to marketing Federal power, customer preference, cost recovery, widespread use of power, and revenue disposition.

The scores for Planning and Results/Accountability reflect the OMB finding that Western did not have adequate long-term goals, targets and measures; specifically efficiency measures. Western is continuing to develop measures of long- and short-term performance, including efficiency measures; changes are included in the FY 2005, FY 2006, and FY 2007 columns of the "Annual Results and Targets" section of this budget request. Western is continuing to work with OMB in finalizing these goals.

### **Significant Policy or Program Shifts**

- To improve disclosure, Western's budget presentation was expanded during the FY 2006 budget cycle to include alternative financing amounts in Program Direction, Operation and Maintenance, and Construction and Rehabilitation subprograms. Alternative financing, primarily customer advances, in these subprograms was used in FY 2003, FY 2004, and FY 2005 to ensure reliable system operation, maintenance, and rehabilitation. Customer advances represent funds received from Western's customers used for capital investments or other expenses. These customers then get a credit on their power bills. These advances cause a short-term reduction in the amount of receipts

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transferred to Treasury and represent an increase to Western's debt owed to the Treasury. Western repays the debt associated with annual expenses in the year the debt is incurred and the debt associated with capital investments over the life of the capital asset with interest.

- Western's FY 2007 request funds the Purchase Power and Wheeling subprogram through the use of receipts at the level necessary to accommodate the impacts of the existing long-term drought conditions in parts of the West. The FY 2007 request also reflects an increase in purchase power support, financed primarily off-budget through alternative financing methods, for Central Valley Project variable resource customers.
- In December 2004, the Congress passed and the President signed the Commercial Spectrum Enhancement Act (CSEA, Title II of P.L. 108-494), creating the Spectrum Relocation Fund (SRF) to streamline the relocation of Federal systems from certain spectrum bands to accommodate commercial use by facilitating reimbursement to affected agencies of relocation costs. The Federal Communications Commission has allocated this spectrum for Advanced Wireless Services, and plans to auction it as early as June 2006. Funds will be made available to agencies following the crediting of auction receipts to the SRF, anticipated in fiscal year 2007. Following the transfer of funds from the SRF to agency accounts, system relocation efforts will commence. Western estimates \$106.7 million dollars in estimated relocation costs, as approved by the Office of Management and Budget, and as reported to the Congress by the Department of Commerce in December 2005. Funds are mandatory and will remain available until expended, and Western will return to the SRF any amounts received in excess of actual relocation costs.
- In addition, the Budget provides that the interest rate for future obligations owed to the Treasury by Western Area Power Administration for power-related investments be set at the rate Governmental corporations borrow in the market, similar to the interest rates current law sets for Bonneville Power Administration's borrowing from the U.S. Treasury. This new policy will be applied to all power-related investments whose interest rates are not specified in law.

# Construction, Rehabilitation, Operation and Maintenance Western Area Power Administration

## Funding by Site by Program

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Western Area Power Administration .....	508,614	572,949	688,511
Total, Construction, Rehabilitation, Operation and Maintenance .....	508,614	572,949	688,511

## Site Description

Western's service area covers 1.3-million square-miles in 15 States. Western markets and delivers energy to 750 wholesale power customers. These customers, in turn, provide retail electric service to millions of consumers in these central and western States: Arizona, California, Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Texas, Utah and Wyoming.

Western annually markets and transmits about 10,000 megawatts of power from 56 hydropower plants and sells about 40 percent of regional hydroelectric generation. Western also markets the United States' entitlement from the coal-fired Navajo Generating Station near Page, Arizona.

Western operates and maintains an extensive and complex high-voltage transmission system to deliver power to its customers. Using its 17,000-circuit-mile Federal transmission system, Western will market and deliver reliable electric power to most of the western half of the United States.

The power facilities are made up of 14 multipurpose water resource projects and one transmission project. The systems include Western's transmission facilities and power generation facilities owned and operated primarily by the U. S. Bureau of Reclamation, the U. S. Army Corps of Engineers and the U.S. Section of the International Boundary and Water Commission.

Power sales, transmission operations and engineering services for Western's system are accomplished by its employees at 51 duty stations located throughout its service area. These include the Corporate Services Office in Lakewood, Colorado, and four customer service regional offices in Billings, Montana; Loveland, Colorado; Phoenix, Arizona; and Folsom, California. The Colorado River Storage Project Management Center in Salt Lake City, Utah, also provides customer support.





# Falcon and Amistad Operating and Maintenance Fund Western Area Power Administration

## Funding by Site by Program

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Western Area Power Administration.....	2,804	2,665	2,500
Total, Falcon and Amistad Operating and Maintenance Fund .....	2,804	2,665	2,500

## Site Description

The Falcon-Amistad Project consists of two international dams located on the Rio Grande River between Texas and Mexico. The United States and Mexico operate separate powerplants on each side of the Rio Grande River. The power output is divided evenly between the two Nations. The State Department's International Boundary and Water Commission (IBWC) owns and operates the U. S. portion of the projects.

Falcon Dam is located about 130 miles upstream from Brownsville, Texas. The United States' portion of construction, operation and maintenance was authorized by Congress in 1950. Construction was started in that year and completed in 1954. The United States' share of Falcon Powerplant capacity is 31.5 megawatts (MW). The powerplant came on line in 1954.

Amistad Dam is located about 300 miles upstream from Falcon Dam. The Amistad Powerplant was constructed by the U.S. Army Corps of Engineers, as agent for the IBWC. The United States' portion of construction, operation and maintenance was authorized by the Mexican-American Treaty Act of 1950. Amistad Dam was completed in 1969. The United States' share of the two generating units, which came on line in 1983, is 66.0 MW.

Project power is marketed to two cooperatives in south Texas via Central Power and Light Company's transmission system. There is no Federal transmission associated with these two projects.



## Colorado River Basins Power Marketing Fund Western Area Power Administration

### Funding by Site by Program

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Western Area Power Administration.....	206,617	171,268	221,081
Total, Colorado River Basins Power Marketing Fund .....	206,617	171,268	221,081

### Site Description

The Colorado River Basins Power Marketing Program is comprised of three power systems: the Colorado River Storage Project, including the Dolores and Seedskadee Projects; the Fort Peck Project; and the Colorado River Basin Project. Western Area Power Administration is responsible for construction, maintenance, and operation of facilities for transmitting and marketing the electrical energy generated in these power systems. A brief description of each follows:

The **Colorado River Storage Project** (CRSP) was authorized in 1956. It consists of four major storage units: Glen Canyon, on the Colorado River in Arizona near the Utah border; Flaming Gorge on the Green River in Utah near the Wyoming border; Navajo on the San Juan River in northwestern New Mexico; and the Wayne N. Aspinall unit on the Gunnison River in west-central Colorado.

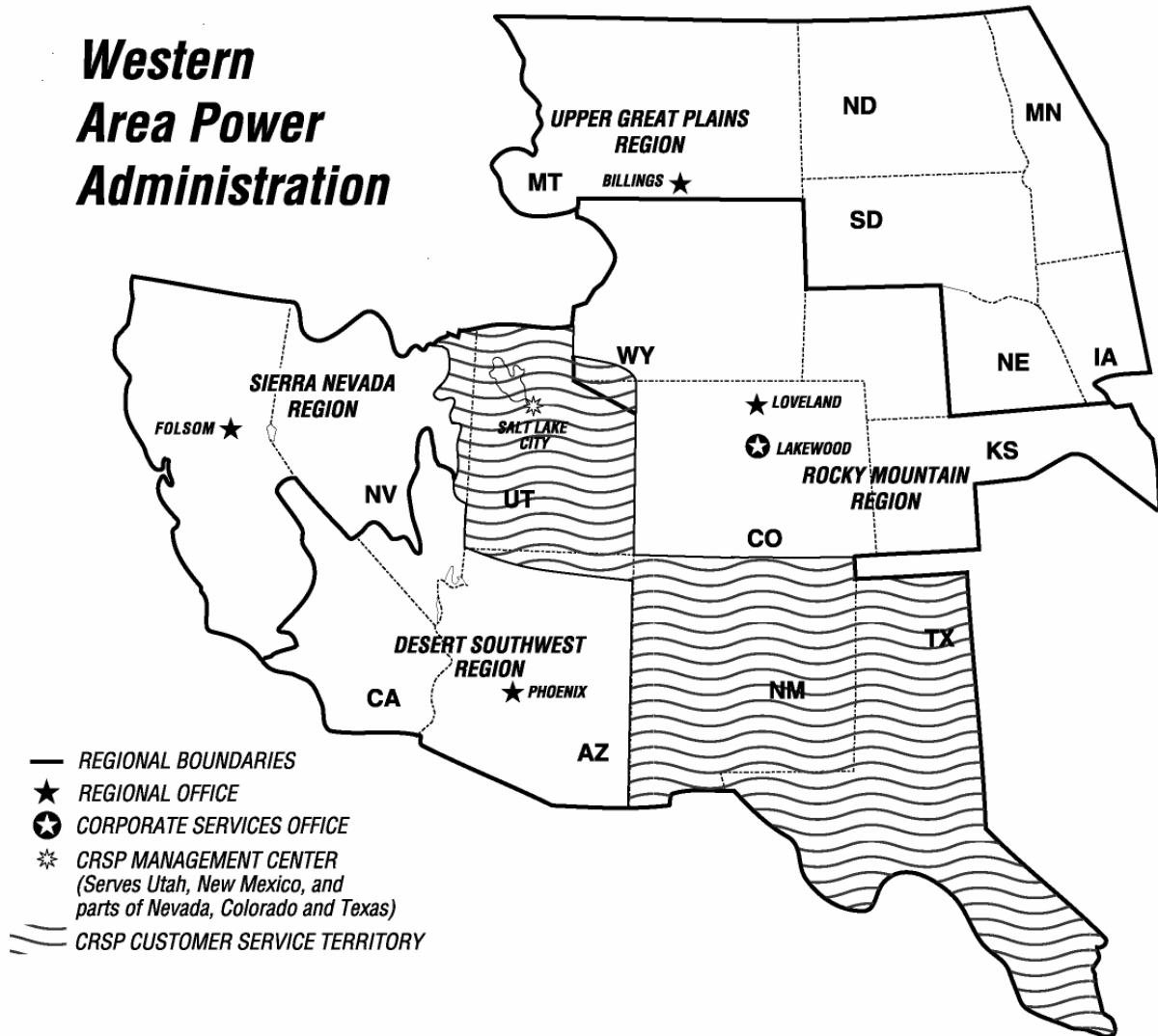
CRSP has a combined storage capacity that exceeds 33.5 million acre-feet. Five Federal powerplants associated with the project, with 16 generating units, have an operating capacity of 1,710 MW. CRSP provides for the electrical needs of more than a million people spread across Colorado, Utah, New Mexico and Arizona. Portions of Nevada and Wyoming are also served by CRSP power.

The **Dolores Project**, located in Montezuma and Dolores counties in southwestern Colorado, and the **Seedskadee Project**, located in southwestern Wyoming, were authorized as participating projects of CRSP. Dolores, a multipurpose project, provides 12.8 MW of installed power generating capacity along with municipal and industrial water, irrigation water, and recreation and fish and wildlife enhancement. The Dolores Project powerplants at McPhee Dam and the Towaoc Canal produce 1.3 and 11.5 MW, respectively. Seedskadee's power facilities, associated with the project's Fontenelle Dam, include an 11.5-MW powerplant, switchyard and necessary transmission lines to interconnect with the CRSP transmission system at Flaming Gorge Powerplant.

The **Fort Peck Project**, located on the Missouri River in northeastern Montana, was begun under an Executive Order in October 1933 as part of the Public Works Administration. The Fort Peck Project Act of 1938 authorized the completion, maintenance and operation of the project, and the Flood Control Act of 1944 authorized operational integration of the project with the Pick-Sloan Missouri Basin Program to serve a common market area. Installed generating capacity of the 5 units is 218 MW, which is delivered primarily to customers in eastern Montana and western North Dakota.

The Central Arizona Project (CAP) was authorized as an element of the **Colorado River Basin Project** to furnish irrigation and municipal water supplies to Arizona and New Mexico, and for other purposes. In FY 2007, this project will use reimbursable arrangements; not the revolving fund authorities.

# Western Area Power Administration



## Construction, Rehabilitation, Operation and Maintenance

### Funding Profile by Subprogram

(dollars in thousands)

	FY 2005 <sup>a</sup> Current Appropriation	FY 2006 Original Appropriation	FY 2006 <sup>b</sup> Adjustments	FY 2006 Current Appropriation	FY 2007 Request
Construction, Rehabilitation, Operation and Maintenance (CROM)					
Program Direction <sup>c</sup> .....	141,334	143,667		143,667	147,748
Operation and Maintenance (O&M) <sup>d</sup> .....	45,743	47,295		47,295	45,734
Construction and Rehabilitation <sup>e</sup> .....	44,179	53,957		53,957	60,205
Purchase Power and Wheeling (PPW) <sup>f</sup> .....	271,208	323,670	-2,273	321,397	427,931
Utah Mitigation and Conservation .....	6,150	6,700	-67	6,633	6,893
Total, CROM (Operating Expenses).....	508,614	575,289	-2,340	572,949	688,511
Use of Alternative Financing.....	-105,631	-58,135		-58,135	-197,741
Offsetting Collections from Colorado River Dam Fund (P. L. 98-381) .....	-3,668	-4,162		-4,162	-3,705
Offsetting Collections-PPW (P.L. 108-447, P.L. 109-103) .....	-227,600	-279,000		-279,000	-274,852
Total, CROM (Budget Authority).....	171,715	233,992	-2,340	231,652	212,213

<sup>a</sup> FY 2005 adjusted to reflect the general 0.80% across-the-board rescission of \$1,384,800 (P.L. 108-447).

<sup>b</sup> FY 2006 adjustments reflect the general 1.00% across-the-board rescission of \$2,339,920 (P.L. 109-148).

<sup>c</sup> Program Direction funding includes activities of the Boulder Canyon Project which are funded through the Colorado River Dam Fund receipts via a reimbursable agreement with the Department of Interior as authorized in P.L. 98-381. By year, the amounts are \$2,747,000, \$3,000,000, and \$2,959,000 for FY 2005, FY 2006, and FY 2007, respectively. Funding also includes use of alternative financing methods in the amount of \$25,490,000, \$14,737,000, and \$9,643,000 for FY 2005, FY 2006, and FY 2007, respectively.

<sup>d</sup> O&M funding amounts include reimbursable financed activities of the Boulder Canyon Project in the amounts of \$921,000, \$1,162,000, and \$746,000 for FY 2005, FY 2006, and FY 2007, respectively. Funding also includes use of alternative financing methods in the amount of \$6,233,000, \$461,000, and \$1,091,000 for FY 2005, FY 2006, and FY 2007, respectively.

<sup>e</sup> Construction and Rehabilitation funding includes use of alternative financing methods in the amount of \$30,300,000, \$540,000, and \$33,928,000 for FY 2005, FY 2006, and FY 2007, respectively.

<sup>f</sup> PPW program includes use of receipts from the recovery of PPW expenses of \$227,600,000, \$279,000,000, and \$274,852,000 in FY 2005, FY 2006, and FY 2007, respectively. In addition, alternative financing methods are included in the amounts of \$43,608,000, \$42,397,000, and \$153,079,000 for FY 2005, FY 2006, and FY 2007, respectively.

## Funding Schedule by Subprogram

(dollars in thousands)

	FY 2005 Current Appropriation	FY 2006 Original Appropriation	FY 2006 Adjustments	FY 2006 Current Appropriation	FY 2007 Request
Construction, Rehabilitation, Operation and Maintenance (CROM)					
Program Direction .....	113,097	127,202	-1,272	125,930	135,146
Operation and Maintenance.....	38,589	46,133	-461	45,672	43,897
Construction and Rehabilitation.....	13,879	53,957	-540	53,417	26,277
Utah Mitigation and Conservation .....	6,150	6,700	-67	6,633	6,893
Total CROM (Budget Authority).....	171,715	233,992	-2,340	231,652	212,213

### Public Law Authorizations:

Public Law 57-161, "The Reclamation Act of 1902"  
 Public Law 78-534, "Flood Control Act of 1944"  
 Public Law 95-91, "Department of Energy Organization Act" (1977)  
 Public Law 102-486, "Energy Policy Act of 1992"  
 Public Law 66-389, "Sundry Civil Appropriations Act" (1922)  
 Public Law 76-260, "Reclamation Project Act of 1939"  
 Public Law 80-790, "Emergency Fund Act of 1948"  
 Public Law 102-575, "Reclamation Projects Authorization and Adjustment Act of 1992"  
 "Economy Act" of 1932, as amended (41 stat. 613)  
 "Interior Department Appropriation Act of 1928" (44 stat. 957)  
 Public Law 70-642, "Boulder Canyon Project Act" (1928)  
 Public Law 75-756, "Boulder Canyon Project Adjustment Act" (1940)  
 Public Law 98-381, "Hoover Power Plant Act of 1984"

### Mission

Western markets and delivers reliable, cost-based Federal hydroelectric power and related services.

### Benefits

Western delivers reliable power and related services across a 1.3-million-square-mile area to a diverse group of 750 customers, including municipalities, cooperatives, public utility and irrigation districts, Federal and State agencies, and Native American tribes. Western's marketing efforts and delivery capability provide for recovery of annual operational costs, including the generating agencies' hydropower related costs, and repayment of taxpayer investment in the Federal hydropower program. Western repays the Federal investment for which it is responsible within the timeframes established by law and regulations.

## Program Direction

### Funding Profile by Category

(dollars in thousands/whole FTEs)

	FY 2005 <sup>a</sup>	FY 2006 <sup>b</sup>	FY 2007
Program Direction <sup>c</sup>			
Salaries & Benefits .....	96,998	98,715	104,894
Travel.....	7,581	7,203	8,150
Support Services .....	19,338	20,866	20,458
Other Related Services .....	17,417	16,883	14,246
Total, Program.....	141,334	143,667	147,748
Less Use of Alternative Financing .....	-25,490	-14,737	-9,643
Use of Receipts from Colorado River Dam Fund .....	-2,747	-3,000	-2,959
Total, Program Direction (Budget Authority).....	113,097	125,930	135,146
Full-time Equivalents .....	1,070	1,045	1,060

### Mission

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program offices in the Department but with additional effort from staff offices which support the programs in carrying out the mission. Western performs critical functions which directly support the mission of the Department. These functions include managing information technology, ensuring sound legal advice and fiscal stewardship, developing and implementing uniform program policy and procedures, maintaining and supporting our workforce, safeguarding our work spaces, and providing Congressional and public liaison.

Western's Program Direction subprogram provides compensation and all related expenses for the workforce that operates and maintains Western's high-voltage interconnected transmission system and associated facilities; those that plan, design, and supervise the construction of replacements, upgrades and additions (capital investments) to the transmission facilities; and those that market the power and energy produced to repay annual expenses and capital investment.

Western previously executed a self-imposed downsizing effort to ensure its competitiveness in the industry. By the end of FY 1998, this transformation resulted in a reduction of 26 percent of total staff (Federal staff decreased from 1,504 to 1,329; contract staff went from 601 to 239). Western's FY 2005 total Federal FTE usage was 1,334; with 1,070 FTE funded through the CROM appropriation.

The Program Direction subprogram supports DOE's Energy Security goal. To attain reliability performance, dispatchers match generation to load minute-by-minute to meet or exceed performance levels established by NERC. Western maintains the interconnected system at or above industry

<sup>a</sup> FY 2005 reflects the general 0.80 percent across-the-board rescission of \$912,072 (P.L. 108-447).

<sup>b</sup> FY 2006 reflects the general 1.0 percent across-the-board rescission of \$1,272,020 (P.L. 109-148).

<sup>c</sup> Program descriptions and funding amounts include activities of the Boulder Canyon Project. These activities are funded through a Reimbursable Agreement with the Department of the Interior, Bureau of Reclamation.

standards to reduce transmission outages. Energy schedulers maximize revenues from non-firm energy sales and power rates are reviewed and adjusted to support repayment of Federal investment. Western trains its employees on a continuing basis in occupational safety and health regulations, policies and procedures, and conducts safety meetings at employee, supervisory and management levels to keep the safety culture strong. Accidents are reviewed to ensure lessons are learned and proper work protocol is in place.

The Program Direction subprogram further supports Western’s Human Capital Management (HCM) Workforce Plan. HCM Workforce Plan activities include: exploring ways to increase HR efficiency through consolidation; the development and/or expansion of intern/apprenticeship programs in the occupations of energy marketing, dispatcher, lineman, and electrician; introduction of an under-study program in Power Marketing, prior to an incumbent retiring; rotational training programs for engineers; strategic use of knowledge sharing and training events in critical occupations; and, succession planning development programs for mid- to upper-level graded Federal positions. By design, costs for these HCM programs will be minimal as local area expertise and facilities will be used to the maximum extent possible. The HCM Workforce Plan noted that no new A-76 studies were required and/or anticipated at this time.

Western operates and maintains a transmission system to deliver reliable electric power in a clean and environmentally-safe, cost-effective manner within its 15-State service territory. Western achieves continuity of service by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing environmental clean-up activities, and maximizing the benefits gained from non-firm energy sales. Additionally, Western operates the Western Electricity Coordinating Council’s Rocky Mountain/Desert Southwest Reliability Coordination Center.

In concert with its customers, Western reviews required replacements and upgrades to its existing infrastructure to sustain reliable power delivery to its customers and to contain annual maintenance expenses. The timing and scope of these replacements and upgrades are critical to assure that Western’s facilities do not become the “weak link” in the interconnected system. Western pursues opportunities to join with neighboring utilities to jointly finance activities, which avoid redundant facilities and result in realized cost savings and/or increased efficiencies for all participants.

### Detailed Justification

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
<b>Salaries and Benefits.....</b>	<b>96,998</b>	<b>98,715</b>	<b>104,894</b>
Salaries and benefits are provided for Federal employees to operate and maintain, on a continuing basis, Western’s high- voltage interconnected transmission system comprised of 17,000 circuit-miles of line, 292 substations, associated power system control and communication, and general plant facilities. Craft workers rapidly restore the transmission system following any disturbance, and routinely maintain and/or replace equipment to assure capability for reliable delivery of power. Dispatchers provide 24-hour-a-day operation of four dispatching centers and one reliability coordination center. Dispatchers respond to minute-by-minute changes to load and generation to meet or exceed NERC and industry averages for system reliability and performance. Engineers and craft workers maintain the			
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	<b>FY 2007 Congressional Budget</b>		



(dollars in thousands)

FY 2005	FY 2006	FY 2007
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interconnected system at or above industry standards to reduce transmission outages. Energy schedulers maximize revenues from non-firm energy sales. Staff provides continuing services such as system operations, power billing and collection, power marketing, rate setting, energy services, environmental, safety, security and emergency management. Due to the extreme hazards associated with a high-voltage electrical system, staff makes safety a priority in each and every task. Staff inspects construction activities in progress (identified in the Construction and Rehabilitation activity) to ensure quality results and safe working methods. General power resources planning and preconstruction activities continue, including planning, environmental clearance, collection of field data, design of facilities, and issuance of specifications for future rehabilitation and upgrades of existing transmission lines and the review/coordination of requests for transmission system interconnections. Staff evaluates general power resources, collaborating and planning with customers and other members of the interconnected transmission system, to identify the most effective transmission system improvements to maximize benefits to all participants.

Total FTE numbers for FY 2007 include 1,042 for Western's Construction, Rehabilitation, Operation and Maintenance (CROM) Account activities and 18 for Boulder Canyon Project (BCP) activities accomplished using receipts from the Colorado River Dam Fund under a reimbursable agreement with the Bureau of Reclamation. FTE reflected for CROM Account activities total 1,055 and 1,027 for FY 2005 and 2006, respectively. FTE associated with BCP activities total 15 for FY 2005, and 18 for FY 2006. The additional FTE reflected in FY 2007 for Western's CROM Account includes a shift in 10 FTE from Western's Colorado River Basins Power Marketing Fund. The shifting of FTEs supports the increase of Western's regular O&M program. The additional changes in target FTEs are required for positions to support various functions within Western. This includes a Public Utility Specialist responsible for generation, transmission, and interchange scheduling as well as budgeting, accounting, and reporting related to power contracts; an Accountant responsible for completing project closeouts; Energy Management and Marketing Specialists; and, a Pre-Scheduling Specialist.

The FY 2007 funding request reflects anticipated salary and within-grade increases to fund the majority of the 1,042 FTE financed in this account. The program request includes approximately \$2.0 million for salary and benefit activities of the Boulder Canyon Project, and alternative financing funds the remainder. Western's overall average budgeted salary/benefit costs per FTE for FY 2005, FY 2006 and FY 2007 are \$90,700, \$94,500, and \$99,000 respectively. More than 37 percent of Western's personnel salaries and compensation policies are determined through wage surveys and union negotiations (craft workers, power system dispatchers, schedulers, and marketers) and become effective at the beginning of a fiscal year rather than in January as do the General Schedule increases.

<b>Travel.....</b>	<b>7,581</b>	<b>7,203</b>	<b>8,150</b>
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Estimates, including \$166,000 for the Boulder Canyon Project, include transportation and per diem allowances for day-to-day performance of duties of Federal staff, including crews who maintain the interconnected system. The remote and rural locations in Western's 15-state service area result in less competitive pricing. Rental/lease of GSA vehicles and other transportation estimates are also included. Estimates are based on historical costs and an assessment of planned activity. The increase is attributable to an increase in regular operations and maintenance activities, and an increase in travel and

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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transportation costs, partially offset by a decrease to the indirect costs distributed to this activity.

**Support Services .....** **19,338** **20,866** **20,458**

Support services funded in this activity include information processing, warehousing, computer-aided drafting, engineering, and general administrative support. The Boulder Canyon portion of the support services estimate totals \$367,000.

**Other Related Expenses .....** **17,417** **16,883** **14,246**

Other related expenses include rental space, utilities, supplies and materials, telecommunications, personal computers, printing and reproduction, training tuition, and DOE's working capital fund distribution. The Boulder Canyon portion of these expenses total \$428,000. Rental space costs assume the General Services Administration's (GSA) inflation factor. Other costs are based on historical usage and actual cost of similar items. The decrease is primarily attributed to a decrease in Western's administrative indirect account charged to this activity. This includes decreases to activities such as supplies and materials, miscellaneous services and charges, ADP software purchases, and capital acquisitions.

**Total, Program Direction.....** **141,334** **143,667** **147,748**

### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Salaries and Benefits

- The increase to salary and benefits includes anticipated salary increases to fund the FTE financed in this account (including those salaries determined through negotiations).  
The increase further supports the change of within target FTE..... +6,179

#### Travel

- The increase to travel is attributable to an increase in regular operations and maintenance activities, and an increase in travel and transportation costs, partially offset by a decrease to the indirect costs distributed to this activity ..... +947

#### Support Services

- Support services estimate includes a decrease of -\$2.6 million to economic and environmental analysis, and a decrease of -\$783,000 to automated data processing, offset by an increase of approximately \$3.0 million to general administrative services .... -408

FY 2007 vs. FY 2006 (\$000)
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### Other Related Expenses

▪ The decrease is primarily attributed to a decrease in Western's administrative indirect account. This includes decreases to activities such as supplies and materials, miscellaneous services and charges, ADP software purchases, and capital acquisitions ...	-2,637
<b>Total Funding Change, Program Direction.....</b>	<b>+4,081</b>

### Support Services by Category

	(dollars in thousands)				
	FY 2005	FY 2006	FY 2007	\$ Change	% Change
Technical Support					
Economic and Environmental Analysis .....	1,225	4,012	1,372	-2,640	-65.8%
Test and Evaluation Studies .....	0	0	0	0	0.0%
Total, Technical Support .....	1,225	4,012	1,372	-2,640	-65.8%
Management Support					
Management Studies .....	0	0	0	0	0.0%
Training and Education.....	0	0	0	0	0.0%
Automated Data Processing.....	6,263	5,762	4,979	-783	-13.6%
Reports and Analyses Management and General Administrative Services .....	11,850	11,092	14,107	+3,015	+27.2%
Total, Management Support .....	18,113	16,854	19,086	+2,232	+13.2%
Total, Support Services.....	19,338	20,866	20,458	-408	-2.0%

### Other Related Expenses by Category

	(dollars in thousands)				
	FY 2005	FY 2006	FY 2007	\$ Change	% Change
Other Related Expenses					
Training .....	608	650	650	0	0.0%
Working Capital Fund.....	1,023	752	759	+7	+0.9%
Printing and Reproduction .....	202	183	126	-57	-31.1%
Rental Space .....	1,943	1,965	2,033	+68	+3.5%
Software Procurement/Maintenance Activities/Capital Acquisitions.....	4,691	4,510	3,171	-1,339	-29.7%
Other.....	8,950	8,823	7,507	-1,316	-14.9%
Total, Other Related Expenses .....	17,417	16,883	14,246	-2,637	-15.6%

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## Operation and Maintenance

### Funding Schedule by Activity

(dollars in thousands)

	FY 2005 <sup>a</sup>	FY 2006 <sup>b</sup>	FY 2007
Operation and Maintenance <sup>c</sup>			
Regular Operation and Maintenance.....	22,702	23,615	24,472
Replacements and Additions .....	23,041	23,680	21,262
Total, Operation and Maintenance.....	45,743	47,295	45,734
Alternative Financing .....	-6,233	-461	-1,091
Use of Receipts from Colorado River Dam Fund.....	-921	-1,162	-746
Total, Operation and Maintenance (Budget Authority).....	38,589	45,672	43,897

#### Description

The mission of Western's Operation and Maintenance (O&M) subprogram is to assure continued reliability of the Federal power system by operating and maintaining Western's transmission system at or above industry standards, including replacement of aging equipment and removal of constraints which would impede power flows.

Supplies and materials, such as wood poles, instrument transformers, meters and relays must be procured to provide the necessary resources to respond to routine and emergency situations in Western's high-voltage interconnected transmission system. Western implemented reliability-centered maintenance (RCM) scheduling to contain costs. RCM focuses on identifying critical components in a system and uses preventive and predictive maintenance practices to repair or replace equipment as needed. Technical services, such as waste management disposal, environmental impact analyses, and pest and weed control are used as needed.

Western's planned replacements and additions activity is based on an assessment of condition and criticality of equipment, maintenance/frequency of problems for individual items of equipment, availability of replacement parts, safety of the public and Western's personnel, environmental concerns, and an orderly work plan. The work plans, coordinated with Western's power customers, who ultimately bear the burden of all Western expenses, reflect an overall sustainable level of effort, with shifts in emphasis between categories (i.e., electrical versus communication equipment) in any given year.

Electrical equipment replacements, such as circuit breakers, transformers, insulators, revenue meters, switches, control boards, relays and oscillographs must be made to assure reliable service to Western's customers. System component age, availability of spare parts, environmental concerns, and risk to system reliability necessitate orderly replacement before significant problems develop.

<sup>a</sup> FY 2005 adjusted to reflect the general 0.80% across-the-board rescission of \$311,200 (P.L. 108-447).

<sup>b</sup> FY 2006 adjusted to reflect the proposed 1.0% across-the-board rescission of \$461,330 (P.L. 109-148).

<sup>c</sup> Program descriptions and funding amounts include activities of the Boulder Canyon Project. These activities are funded through receipts from the Colorado River Dam Fund via a reimbursable agreement with the Department of Interior as authorized in P. L. 98-381.

Replacement, upgrade and installation of fiber optics, Supervisory Control and Data Acquisition (SCADA) systems, and other communication and control equipment continues to provide increased system reliability and to reduce maintenance and equipment costs.

Capitalized movable equipment, such as special purpose vehicles (e.g., cranes, auger trucks, manlifts), special purpose equipment (e.g., pole trailers, industrial tractors, brush chippers), specialized test equipment (e.g., motion analyzers and relay test equipment), computer-aided engineering equipment, office equipment, and IT equipment and software, must be upgraded and replaced.

Personnel expenses and personnel performance accomplishments associated with the O&M subprogram are combined with those of the Construction and Rehabilitation subprogram and are reflected in the Program Direction subprogram of Western’s budget request.

**Benefits**

Western’s operation and maintenance subprogram supports DOE’s Energy Security goal to protect our national and economic security by reducing imports and promoting a diverse supply of reliable, affordable, and environmentally sound energy. Western ensures reliable electric power in a safe, cost-effective manner, and achieves continuity of service throughout its 15-State service territory by maintaining its power system at or above industry maintenance standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing revenues gained from non-firm energy sales.

**Detailed Justification**

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
<b>Regular Operation and Maintenance.....</b>	<b>22,702</b>	<b>23,615</b>	<b>24,472</b>

Supplies and materials necessary to respond to routine and emergency situations in Western’s high-voltage interconnected transmission system will be purchased. The request includes \$704,284 for activities in the Boulder Canyon Project, funded directly through receipts from the Colorado River Dam Fund. The continuing maintenance of Western’s transmission system at or above industry standards supports DOE’s Goal No. 4 by minimizing sudden failure, unplanned outages, and possible regional power system disruptions. Safe working procedures are discussed before work begins to optimize safety for the public, Western’s staff, and equipment. The request is based on projected work plans for activities funded from this account. Estimates are based on historical data of actual supplies needed to operate and maintain the transmission system. Costs are based on recent procurement of similar items.

<b>Replacements and Additions .....</b>	<b>23,041</b>	<b>23,680</b>	<b>21,262</b>
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Western’s planned replacements and additions activity is based on an assessment of condition and criticality of equipment, maintenance/frequency of problems on individual items of equipment, availability of replacement parts, safety of the public and Western’s personnel, environmental concerns, and an orderly work plan. Replacement of aged power system components maximizes the reliability and availability of Western’s system by reducing the risk of equipment failure, unplanned outages, and possible regional power system disruptions. Removing environmental hazards and replacement of aged equipment eliminates safety hazards for the public and Western’s personnel. Planned activity is detailed

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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by category below.

- **Electrical Equipment .....** **10,861**      **11,606**      **10,392**  
Electrical equipment, such as circuit breakers, transformers, relays, batteries and chargers, reactors, meters, capacitor banks and switches, will be replaced at facilities throughout Western's 15-State area. Treatment and/or replacement of wood poles will extend the life of aging, deteriorating transmission lines. The request includes \$42,000 for activities in the Boulder Canyon Project, funded directly through receipts from the Colorado River Dam Fund. Costs are based on analysis of system operation/maintenance requirements and concerns, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.
- **Communications Equipment .....** **4,448**      **3,116**      **2,515**  
Key to system reliability, replacement of aged 7 Ghz analog radio systems with digital radio and fiber optics at various Western facilities continues. Manufacturers have discontinued support of the obsolete analog equipment and there is inadequate channel capacity to support our needs. The staged movement to narrow communications band spectrums for UHF radios as directed by the National Telecommunications and Information Administration (NTIA) continues. In addition, funding includes updating the PBX system at our Watertown Operations office, replacement of remote terminal units, and continued upgrades to the existing SCADA systems which control Western's electric power system. Costs are based on analysis of system operation/maintenance requirements, customer-coordinated work plans, actual costs of recent similar projects, and bottom-up budgeting techniques.
- **Spectrum Relocation Equipment .....** **0**      **0**      **0**  
In December 2004, the Congress passed and the President signed the Commercial Spectrum Enhancement Act (CSEA, Title II of P.L. 108-494), creating the Spectrum Relocation Fund (SRF) to streamline the relocation of Federal systems from certain spectrum bands to accommodate commercial use by facilitating reimbursement to affected agencies of relocation costs. The Federal Communications Commission has allocated this spectrum for Advanced Wireless Services, and plans to auction it as early as June 2006. Funds will be made available to agencies following the crediting of auction receipts to the SRF, anticipated in fiscal year 2007. Following the transfer of funds from the SRF to agency accounts, system relocation efforts will commence. The amount reported here is Western's estimated relocation costs, as approved by the Office of Management and Budget, and as reported to the Congress by the Department of Commerce in December 2005. Funds are mandatory and will remain available until expended, and agencies will return to the SRF any amounts received in excess of actual relocation costs.  
Western's cost for relocation of 292 frequency assignments is estimated at \$106,751,000 which will be reimbursed from auction proceeds administered by the Office of Management and Budget. Western plans to accept these funds as Federal Reimbursable Funding which will be offset by the costs for relocation. Therefore, no appropriations are being requested for this activity.
- **Capitalized Movable Equipment .....** **7,732**      **8,958**      **8,355**  
Capitalized movable equipment needed to support the O&M of the interconnected power system will be purchased. Replacement of special purpose equipment includes a skid loader, crane, utility

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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truck, manlifts, line truck replacements, pole trailer replacement, bucket truck, dump truck, caterpillar, frontend loaders, ATVs, substation test equipment, brush chipper, map board replacement, and engine overhauls. Security equipment includes installation of perimeter intrusion detection devices at various locations throughout Western, card readers and associated software, security cameras and recording devices at various sites throughout Western. Information Technology equipment includes server and router replacements, tape storage systems, cyber security upgrades, and LAN upgrades. Replacement needs are based on age, reliability, and safety of equipment, customer-coordinated review, cost analysis of rebuild versus replacement, availability of replacement parts, and obsolescence of diagnostic maintenance tools. Costs are determined using actual costs of similar items.

<b>Total, Operation and Maintenance .....</b>	<b>45,743</b>	<b>47,295</b>	<b>45,734</b>
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### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Regular Operation and Maintenance

- The increase in regular O&M is attributed to inflation and increased maintenance on Western's aging infrastructure..... +857

#### Replacements and Additions

- The decrease in replacements and additions of electrical equipment (-\$1,214,000), capitalized movable equipment (-\$603,000), and communications equipment (-\$601,000) is primarily attributed to extraordinary needs in the FY 2006 budget such as a helicopter replacement and an increased effort to upgrade communications equipment. In addition, the replacement and additions of electrical equipment decreased due to facility replacements requiring larger efforts that resulted in projects falling under the Construction & Rehabilitation subprogram. .... -2,418

<b>Total Funding Change, Operation and Maintenance.....</b>	<b>-1,561</b>
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## Construction and Rehabilitation Funding Schedule by Activity

(dollars in thousands)

	FY 2005 <sup>a</sup>	FY 2006 <sup>b</sup>	FY 2007
Construction and Rehabilitation <sup>c</sup>			
Transmission Lines and Terminal Facilities .....	21,557	29,665	33,023
Substations.....	19,838	15,687	22,122
Other <sup>d</sup> .....	2,784	8,605	5,060
Total, Construction & Rehabilitation.....	44,179	53,957	60,205
Alternative Financing <sup>e</sup> .....	-30,300	-540	-33,928
Total, Construction & Rehabilitation (Budget Authority) .....	13,879 <sup>f</sup>	53,417	26,277

### Description

The mission of Western's Construction and Rehabilitation (C&R) subprogram is to assure continued reliability of the Federal power system by modification, replacement, additions, and interconnections to the Federal power system.

Western's transmission system has over 17,000 circuit-miles of line and 292 substations. Of the 8,033 miles of wood poles, 5,737, or 71 percent, exceed the normal service life of 40 years, with 4,068, or 51 percent, exceeding 50 years. Western is continually testing, treating, and replacing individual wood poles and hardware to delay the need for replacing an entire transmission line. As substation equipment (such as power transformers, circuit breakers, and control equipment) ages, maintenance costs increase, replacement parts become unavailable, risks of outages increase, and system reliability declines. Western has 66 transformers and 26 circuit breakers more than 41 years old. The normal service life for power transformers and power circuit breakers is 40 years and 35 years, respectively. While replacement of this equipment is systematically planned over 10 years, actual replacement varies depending on condition and criticality. All replacement and rehabilitation plans are coordinated with customers to help establish the timing and scope of work at specific substations. When upgrades or additional capacity are required, Western actively pursues opportunities to join with neighboring utilities to jointly finance activities, which result in realized cost savings and increased efficiencies for all participants.

Western has aggressively reduced its capital investment program from levels around \$110 million annually (including Program Direction) in the early 1990s. Western estimates a base level of \$31

<sup>a</sup> FY 2005 adjusted to reflect the general 0.80% across-the-board rescission of \$111,928 (P.L. 108-447).

<sup>b</sup> FY 2006 adjusted to reflect proposed 1.0% across-the-board rescission of \$539,570 (P.L. 109-148).

<sup>c</sup> The Construction and Rehabilitation activity breakdown reflects changes to support the FY 2005 Appropriations Act to design, construct, operate and maintain transmission facilities for the Animas-LaPlata Project (P.L. 106-554) and upgrades to the Topock-Davis-Mead Transmission Line. Both of these projects will be performed on a nonreimbursable basis.

<sup>d</sup> Other includes communication equipment, maintenance facilities, power facility developmental costs, and minor unscheduled jobs.

<sup>e</sup> Western will seek alternative financing to meet total Construction and Rehabilitation subprogram needs.

<sup>f</sup> In FY 2005, Congress directed Western to fund the Utah Reclamation Mitigation and Conservation Account from existing budget authority. Western chose to fund it out of the Construction and Rehabilitation subprogram.

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million (excluding Program Direction) is required to support a program that emphasizes replacement and upgrade of existing infrastructure to sustain reliable power delivery to our customers while maintaining competitive rates. In recent years, the appropriated funding level for this program has ranged from \$12 to \$19 million. In FY 2005, Western received appropriations of \$13.9 million; of this amount, \$3.8 million was not Congressionally directed and was available for Western to upgrade its aging infrastructure. In the FY 2004 Performance and Management Assessments Summary of Western's Program Assessment Rating Tool (PART), OMB proposed that Western "modestly increase construction expenditures for scheduled substation equipment replacements and the ongoing replacement of transmission line facilities and housekeeping needs such as a new roof on one of their buildings." Western's FY 2007 C&R program of \$60.2 million is well above the base level of \$31 million due to FERC orders and reliability issues resulting from load growth.

Western continues to refine a long-term C&R program level that will maintain the reliability of, and the Government's investment in, Western's power facilities while minimizing effects on power rates. Our challenge has been to evaluate Western's facilities which were built 40 to 50 years ago, and develop a systematic replacement/upgrade program at a level that retains the value of our assets and assures a safe and reliable transmission system, with minimal rate impacts. OMB's Summary of the PART noted that Western's "system for reviewing and adopting construction projects is rigorous."

Due to the increase in rehabilitation projects and decrease in new construction projects, it is increasingly difficult to plan specific projects years in advance. A piece of equipment scheduled for replacement may test fine two years later at the beginning of the execution year, resulting in deferring that project in favor of replacing equipment at higher risk of failure. Discovery of a failing piece of critical equipment may completely change the planned work priority. Customer needs may also change, causing Western to revise or reprioritize C&R projects. Utilities and other entities are also requesting interconnections to Western's transmission system under the provisions of Western's Open Access Transmission Tariff, adopted in accordance with the spirit and intent of FERC Order No. 888. These projects often surface suddenly and move quickly, and can significantly impact Western's C&R program planning and project priorities. These projects might be advance funded by the customer, in which case there would be no impact on our appropriation request. While this section of our budget request incorporates Western's best efforts to identify and schedule necessary C&R projects, the increased focus on replacements and the realities of operating and maintaining a complex interconnected power system mean unforeseen priority projects will surface from time to time. Western may have to slip or restructure planned projects to accommodate these sudden priority projects, but our C&R program will continue to be focused on replacements and upgrades of aging existing equipment necessary to maintain the reliability and integrity of Western's power transmission system. Western's policy is to continue to assign the highest program priority to those situations that pose the highest risk to safety and system reliability, while meeting the mandates for open access to our transmission system.

Western delays replacement costs for as long as is prudent while managing the risk of sudden failure and emergency replacement. Upgrades and repairs are made before further postponement contributes to an overall degradation of Western's power facilities, possibly leading to serious power system disruptions and lengthy power outages while crews repair or replace failed equipment under emergency conditions. "Breakdown maintenance" results in higher costs than scheduled replacements and increases safety risks to maintenance crews, as equipment failures are very often tied to extreme weather conditions and/or high system power loadings.

Lead times for equipment delivery are increasing as fewer domestic manufacturers remain in the marketplace, and more equipment must come from foreign sources. Worldwide demand for electrical equipment is also impacting delivery schedules. For major equipment such as transformers, delivery times are averaging 18 months and increasing, making it impossible to procure equipment in the same fiscal year as contract award.

Personnel costs and related expenses for the workforce to plan, collect field data, write specifications, design facilities, award construction contracts, and purchase government-furnished equipment for the C&R activity are combined with those of the O&M activity and are reflected in the Program Direction section of Western's budget request.

For purposes of budget display, the C&R subprogram is broken into three activities: Transmission Lines and Terminal Facilities, Substations, and Other. The Other category includes communications equipment (microwave, fiber optic, and telecommunications), maintenance facilities, power facility development costs, and minor unscheduled jobs. Planned activity is detailed by category below.

## Benefits

Western's C&R subprogram supports DOE's General Goal 4, Energy Security, by emphasizing replacement and upgrading of existing electrical system infrastructure to sustain reliable power delivery to our customers, to support a stable and reliable interconnected power system, to contain annual maintenance expenses, and to retain the value of our assets. Replacement and upgrade of aged power system components are crucial to system reliability, and communications improvements maintain vital control over system operations. Both contribute to attaining or exceeding monthly control compliance ratings established by the North American Electric Reliability Council (NERC) by reducing the risk of equipment failure, unplanned outages, and possible local and regional power system disruptions. Reducing the hazards associated with worn or aging equipment, correcting design deficiencies, and replacing deteriorated wood poles which present a serious climbing hazard to linemen, minimizes Western's exposure to unsafe conditions. In addition, public safety is supported by avoiding or minimizing the negative impacts of unplanned outages and by minimizing the instances of downed lines. C&R subprogram activities support the repayment of Federal power investment by promoting a well-planned C&R program with a relatively stable budget over the long term, by avoiding significant additional costs of emergency "breakdown maintenance," and by preventing outages which could impact power deliveries, purchase power costs, and power revenues.

## Detailed Justification

(dollars in thousands)			
	FY 2005	FY 2006	FY 2007
<b>Transmission Lines and Terminal Facilities .....</b>	<b>21,557</b>	<b>29,665</b>	<b>33,023</b>
▪ <b>Transmission Lines and Terminal Facilities, Continuing Work .....</b>	<b>8,575</b>	<b>22,457</b>	<b>32,897</b>
Continuation of modifications and rehabilitation of the following transmission lines (TL) to ensure power system reliability and stability is planned in FY 2007.			
• Replace existing Beaver Creek-Hoyt 115-kV TL (Colorado). Built in 1949 with wood H-frame			

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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and 397 aluminum conductor steel reinforced (ACSR) conductor, numerous poles along this 17-mile TL have deteriorated. System studies show numerous transmission overloads in the Eastern Colorado transmission area that would be eliminated by rebuilding the line with 230-kV.

- Relocate and upgrade one-half mile of the Black Point Mesa-Blythe #1 161-kV TL (California). The whole top of Black Point Mesa is considered sacred grounds by several tribes. Built in 1949, the wood poles are deteriorating and failure is imminent, resulting in possible property damage and injury to the general public. Rerouting this line will preserve the historical site and increase access for maintenance crews. Upgrading to steel structures will increase reliability, reduce maintenance costs and provide a safer work environment.
- Rebuild the 146-mile Cheyenne-Miracle Mile 115-kV TL (Wyoming) constructed in 1939 using wood poles with copper conductor. The wood poles are deteriorated and copper conductor has not been used in power lines for many years. Hardware and specialized equipment for splicing and maintaining the copper conductor are no longer available. The poor condition of the line requires excessive maintenance, is subject to outages and requires replacement to maintain reliability in the area.
- Continue Upper Great Plains Region's wood pole life-extension testing and replacement programs on 10 miles of the Leeds-Devils Lake 115-kV TL (North Dakota). This program maintains wood pole TL, maximizing their effective service lives and delaying the need for expensive total rebuild projects. Without funding, wood pole lines will further deteriorate, increasing the risk of pole and crossarm failures. Line outages caused by these failures could trigger major regional outages given the high loadings now experienced on the interconnected power system.
- Relocate 3.6 miles of the existing Parker-Gila 161-kV TL that runs through the town of Quartzite (Arizona). The existing segment has a very narrow right-of-way and has extensive encroachment problems, including buildings and propane tanks that present serious safety and maintenance issues.
- Establish a new 230-kV TL connection at Trinity County power plant (California), consisting of three 230-kV breakers, four 230/60-kV transformers, two 60-kV breakers and 60-kV radial lines to tie into the Trinity County Public Utility District. The transmission line will consist of approximately 6 miles of new 60-kV line and 16 miles of rebuilt 60-kV line. This project will enhance the reliability of service to Trinity County consumers and fulfill the obligation established by the Trinity Division Act of August 12, 1955, to construct, operate and maintain transmission facilities as may be required to deliver the output of power plants to loads in the County. Consumers in this area routinely see nearly 20,000 consumer hours per year in outages, many lasting three to four days in the winter.
- Replace existing Watford City-Williston (North Dakota) 115-kV TL with 230-kV TL. This 42-mile TL has been in service since 1951. The majority of the structures do not meet Western's design criteria. The upgrade of the line will provide additional transfer capability which will alleviate existing reliability criteria violations during system outages.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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The funding level is determined by estimating the cost to complete each project and breaking out these costs by fiscal year. The estimates are based on recent actual costs to complete similar projects, updated individual project requirements, and past experience.

▪ **Transmission Lines and Terminal Facilities,**

<b>Rehabilitation Starts .....</b>	<b>12,982</b>	<b>7,208</b>	<b>126</b>
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There is one TL and terminal facility rehabilitation start planned in FY 2007. TL and terminal facility starts address specific system reliability risks or operational problems.

- The 35-mile Ault-Cheyenne 115-kV TL (Colorado and Wyoming) was constructed in 1939 using wood pole H-frame structures and 250,000 circular mil Anaconda copper conductor. This line is over 60 years old and in need of conductor and hardware replacement. To be spliced, the copper conductor requires special equipment and expertise, and replacement hardware is becoming difficult to find. Although recent testing of the poles on this line section shows the majority of poles are structurally sound, most of these poles have extreme shell rot. Therefore, they are unsafe to climb and line work must be done under clearance using a bucket truck. This safety concern and the fact that the poles are over 60 years old indicate this line section should be rebuilt.

Estimates are based on actual costs of recent similar projects, expected costs of needed equipment and services, cost estimating guides, and experience.

▪ **Transmission Lines and Terminal Facilities, Work**

<b>Funded by Others .....</b>	<b>0</b>	<b>0</b>	<b>0</b>
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Potential transmission line and terminal trust work in FY 2007 includes planning, design or construction of:

- Havre-Rainbow 230-kV TL Rebuild with new overhead groundwire and conductors due to generation additions request (Montana).
- Obanion-Elverta Double Circuit 230-kV line for Sacramento Municipal Utility District and the City of Roseville (California).
- East Altamount Energy Center Direct Interconnection for Calpine Corporation (California).
- Grandby Power Plant - Windy Gap 69-kV TL for Northern Colorado Water Conservancy District (Colorado).
- Eastern Plains Transmission Project with Tri-State Generation and Transmission Association to construct new transmission, resulting in significant additions to the transmission system in eastern Colorado and southwestern Kansas.

Western's work for others has increased significantly under the open access transmission tariff adopted in response to FERC Order No. 888. The tariff requires Western to provide interconnections to its transmission system. New generation projects typically surface quickly and provide little advance warning for internal planning and budgeting. Western must work with requestors to meet their needs.

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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Design of these facilities must be closely coordinated with, or accomplished by, Western's design staff to ensure compatibility with Western's equipment and facilities and compliance with applicable electrical and safety codes. These projects also affect transmission system loading and operation. Potential impacts to other system facilities and equipment must be determined since the cost of any necessary modifications must be borne by the interconnection project proponents.

<b>Substations .....</b>	<b>19,838</b>	<b>15,687</b>	<b>22,122</b>
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▪ <b>Substations, Continuing Work .....</b>	<b>4,092</b>	<b>9,755</b>	<b>7,524</b>
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Continue modifications and rehabilitation of the following substations in FY 2007 to ensure power system reliability and stability. The funding level is determined by estimating the cost to complete each project and breaking out these costs by fiscal year. The estimates are based on recent actual costs to complete similar projects, updated individual project requirements, and past experience.

- Replacement of the control boards at the Devils Lake Substation (North Dakota). This project includes replacement of the control boards. The majority of the relays and protection equipment was installed in 1951, 1959, and 1974. The existing electromechanical relays require excessive maintenance compared to solid-state relays and may contain PCB contaminated capacitors. These replacements will enhance substation reliability by updating control boards and the protection schemes.
- Replacement and upgrade of equipment at Empire Tap Substation (Arizona). Acquire land and furnish and install a new three circuit breaker, 230-kV ring bus and one new 230/115-kV, 30-MVA transformer. Built in 1953, the tap has remained unchanged and has become a source of operational concern; deteriorating equipment is obsolete, making maintenance difficult and costly. Replacement and upgrade of this equipment is part of the South of Casa Grande Project, which is an upgrade of Western's 115-kV transmission system to 230-kV from Casa Grande Substation to ED 5 Substation to Coolidge Substation, including work at seven substations and approximately 61 miles of transmission line.
- Transformer addition at Granite Falls Substation (Minnesota). This project includes the addition of a second 230/115-13.8 200-MVA transformer, the associated 230-kV and 115-kV bays, reactors off the tertiary, and the associated control boards. The single transformer connection prevents Western from performing routine maintenance during peak conditions because local utilities cannot absorb Western's load when this transformer is removed from service. Western fails to meet NERC's reliability standard to withstand the single most severe contingency.
- Replacement of the control boards and the control building at the Havre Substation (Montana). This project includes replacement of the control boards. The majority of the relays and protection equipment was installed in 1951. In 1989, one control board was added and some of the relays were replaced. The existing electromechanical relays require excessive maintenance compared to solid-state relays and may contain PCB contaminated capacitors. These replacements will enhance substation reliability by updating control boards and the protection schemes. The control building will be replaced due to deterioration and rodent damage.
- Replacement of Transformer KY1A at Leeds Substation (North Dakota). Installed in 1951, this

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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transformer has exceeded its life expectancy of 40 years and loading is approaching the maximum rating of 20 MVA. It will be replaced with a 115/69-kV 45-MVA autotransformer.

- Replacement of control boards at Morris Substation (North Dakota). The majority of the relays and protection equipment was installed in 1961, 1969, and 1970. The existing electromechanical relays require excessive maintenance compared to solid-state relays and may contain PCB-contaminated capacitors. Updating control boards and protection schemes will enhance substation reliability.
- Upgrade controls at Parker Substation to a digital control system (DCS) to avoid safety and reliability issues while separating the U.S. Bureau of Reclamation (BOR) and Western's DC power supplies. DC power for the yards is supplied from Parker Dam. BOR has requested that the DC power for the dam and switchyards be separated due to outages caused by overloading the current battery system. This will require significant wiring changes in the control boards. Due to inadequate documentation of repairs to the system throughout the years and the age of much of the equipment at the dam, separating the DC systems could create safety and system reliability issues. Upgrading to DCS controls will allow the work to be performed with minimal disruption to system operation and will provide a more reliable system and safer work environment.
- Replacement and upgrade of Watford City Substation (North Dakota). This project consists of replacing transformer KY1A and adding 115-kV interrupters on the high side of the two transformers. Installed in 1957, Transformer KY1A has exceeded its life expectancy of 40 years and has experienced extensive maintenance problems over the last 10 years. The addition of the interrupters will add reliability to this substation. The existing 34.5-kV line is the only source of power for the City of Watford City.
- Replacement of the 110/34.5-kV transformer at Woonsocket Substation (South Dakota). This transformer was placed in service in early 1954, and is no longer supported by its manufacturer. Spare parts are not obtainable, and the transformer has reached the end of its useful service life. Originally planned for replacement in FY 2003, this project was put on hold to accommodate unplanned work. To maintain system reliability and avoid the increased costs of an emergency replacement, this transformer should be replaced as soon as possible.

■ **Substations, Rehabilitation Starts.....** **15,746** **5,932** **14,598**

Seven substation rehabilitation starts are planned in FY 2007:

- Replacement of Brookings Substation (South Dakota) transformer KY1A which is a 110/69/12.5-kV, 18.75-MVA auto transformer. KY1A was installed in 1954. Transformer KY1A has met its life expectancy and should be replaced before catastrophic failure causes degradation to the power system and customer outages. The existing 115-kV main and transfer bus will also be converted to a breaker and a half scheme. The city of Brookings has two lines at 115-kV serving their loads. Because of the existing bus design, both lines are lost in the event of a bus differential trip. Converting to a breaker and a half design will mitigate this situation.
- Replacement of Edgeley Substation (North Dakota) transformer KY1A which is a 115/69-kV, 20-MVA auto transformer. KY1A was installed in 1952. Transformer KY1A has exceeded its life

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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expectancy of 40 years. The addition of the equipment for the dedicated transformer bays will add reliability to this substation.

- Upgrade Elverta 230-kV Substation (California) to breaker-and-a-half configuration. Elverta Substation design is currently a main and transfer bus configuration. Under the existing configuration, if breaker failure occurs due to breaker protection failure or human error, up to six critical 230-kV transmission lines would be lost. Loss of more than one of these transmission lines could cause the loss of power to the entire Sacramento area of more than one million customers and industrial loads during the high summer loading period. This upgrade would include adding nine breakers in a breaker-and-a-half configuration, reconfiguring bus, and adding associated disconnects, control, protection and communication equipment.
- Miracle Mile 230-kV Substation (Wyoming) additions in conjunction with the Cheyenne-Miracle Mile transmission line rebuild from 115-kV lines to 230-kV lines. A 230-kV termination and 230/115-kV transformation will be required at the Miracle Mile Substation.
- The Sioux Falls Substation is located near Sioux Falls, South Dakota. This project includes providing and installing one 115-kV breaker, three 115-kV disconnect switches, take-off structure, associated bus work, control and protection equipment, and foundations for a new 115-kV bay addition associated with East River Energy's 69-kV to 115-kV TL upgrade. In June 2004, the South Dakota Public Utility Commission approved East River Electric's application to upgrade its existing 69-kV system to 115-kV due to load growth in the Sioux Falls area. As part of this upgrade, East River will upgrade its 69-kV Sioux Falls – Brandon TL (East River No. 2) to 115-kV in 2005. This will require Western to complete a 15-kV bay addition at Sioux Falls Substation.
- Upgrade Tracy 230-kV Substation (California) to a double-breaker, double-bus configuration by adding breakers, disconnects, bus, and associated control, protection and communication equipment. This substation design is currently a main and transfer bus configuration. With this configuration, loss of up to six critical 230-kV transmission lines, two major ties to the Tracy 500-kV Substation, and the entire Tracy pumping plant could occur if breaker failure happens due to human error or failure of breaker protection equipment. This would represent a loss of 2,150 MVA of transfer capacity, potentially causing major West Coast power outages during critical load times of the year.
- The Virgil Fodness Substation is located near Tea, South Dakota. This project includes providing and installing one 230-kV breaker, three 230-kV disconnect switches, associated bus work, control and protection equipment, and foundations for the interconnection to East River's 230/115-kV transformer addition. In June 2004, the South Dakota Public Utility Commission approved East River Electric's application to upgrade its existing 69-kV system to 115-kV due to load growth in the Sioux Falls area. As part of this upgrade, East River will install a 230/115-kV transformer at the Virgil Fodness Substation. To accommodate this addition, Western will modify the 230-kV ring bus at Virgil Fodness substation to provide an interconnect point for the new East River transformer.

The funding level is determined by estimating the cost to complete each project and breaking out

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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these costs by fiscal year. The estimates are based on recent actual costs to complete similar projects, updated individual project requirements, and past experience.

▪ <b>Substations, Work Funded by Others .....</b>	<b>0</b>	<b>0</b>	<b>0</b>
Substation trust work in FY 2007 includes:			
• Havre Substation 230-kV Bay Addition (Montana)			
• Rainbow & Greatfalls Substations modifications (Montana)			
• Arizona Public Service interconnection to Flagstaff 345-kV Substation (Arizona)			
• Willoby Switchyard for Tri-State and Poudre Valley REA (Colorado)			
<b>Other.....</b>	<b>2,784</b>	<b>8,605</b>	<b>5,060</b>
▪ <b>Communications Systems .....</b>	<b>1,329</b>	<b>6,244</b>	<b>3,165</b>

Each project cost is determined using the actual costs of recent similar projects, estimated quantities of needed materials, past contract costs, specialized cost estimating guides, and in-house experience.

- Continue to replace/modernize/expand communication systems (microwave, fiber optic, global information system, and telecommunication) in the Colorado River Storage Project and the Pick-Sloan Missouri Basin Program to operate and control the transmission system. Replacement parts for existing obsolete communications systems are becoming very difficult to obtain and the increased use of remote control of facilities, coupled with the need for greater integration of the Federal system with the rest of the grid and technological advances in the communications field, make secure and reliable communications crucial to Western's mission. Rapid advances in communications technology, along with manufacturers' phase-out of support for existing systems, primarily drive the need for communications replacements and upgrades. Effective control of remote facilities is crucial to the operation of the power system.

▪ <b>Miscellaneous .....</b>	<b>1,455</b>	<b>2,361</b>	<b>1,895</b>
• Upgrade facilities to provide additional storage for vehicles, electrical equipment, and supplies that are presently being stored outside, subjected to adverse weather conditions at Western's Dawson maintenance facility (Montana).			
• Continue development of Rocky Mountain Region's Geographical Information System (GIS) mapping system for the Region's electrical transmission system and facilities. Mapping includes transmission lines, access roads, environmental sites, structure locations, substation sites, communication sites, and other important features on the Region's electrical system.			
• Continue minor enhancements or alterations to control buildings, access road repairs, roof repair, erosion control, oil spill containment, structure modifications, asphalt pavement, painting, communication sites, and other non-electrical type projects at existing facilities.			
• Annual power facility development costs and miscellaneous minor construction jobs that are not normally scheduled in advance or anticipated as part of larger projects.			

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(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Preconstruction Activities.....</b>	<b>0</b>	<b>0</b>	<b>0</b>
<p>The following projects will have active preconstruction activities during FY 2007: Addition of 5 circuit ring busses to ED5 Substation (Arizona); rebuild 9.8 miles of existing Gila-Yuma Mesa Tap 34.5-kV TL a); replace circuit breakers, disconnect switches and batteries at Tucson Substation (Arizona); ction of 230-kV terminal at Ault Substation (Colorado); rebuild of the 69-kV TL from Windy Gap to Pumping Plant (Colorado); construct 115-kV three-breaker ring substation at Prospect Valley Tap do).</p>			
<b>Total, Construction and Rehabilitation.....</b>	<b>44,179</b>	<b>53,957</b>	<b>60,205</b>

### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Transmission Lines and Terminal Facilities

- The increase in the funding request for these facilities results from deferring necessary planned upgrades due to budget constraints in recent years, the deterioration of our aging lines, and Congressional mandates for specific transmission facilities. The requested funding for FY 2006 will allow Western to repair rebuild, or relocate structures that have been identified as having potential reliability safety, and maintenance problems. It will allow Western to continue its wood pole testing treatment, and replacement programs to maximize service life and postpone costs..... +3,358

#### Substations

- This increase is due to a backlog of critical additions and upgrades for which appropriations have not been available in recent years but which are essential to maintaining a stable, safe and reliable Federal transmission system..... +6,435

#### Other

- The decrease is due to priorities shifting to Substation work while remaining within the target level for this subprogram. .... -3,545

<b>Total Funding Change, Construction and Rehabilitation.....</b>	<b>+6,248</b>
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## Purchase Power and Wheeling

### Funding Schedule by Activity

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Purchase Power and Wheeling			
Central Valley Project.....	163,049	119,410	219,846
Pick-Sloan Missouri Basin and Other Programs .....	108,159	201,987	208,085
Total, Purchase Power and Wheeling (Gross).....	271,208	321,397	427,931
Use of Alternative Financing.....	-43,608	-42,397	-153,079
Total, Purchase Power and Wheeling.....	227,600	279,000	274,852
Offsetting Collections Realized .....	-227,600	-279,000	-274,852
Total, Purchase Power and Wheeling (Budget Authority) .....	0	0	0

### Description

The mission of the Purchase Power and Wheeling (PPW) subprogram is to support Western's long-term firm power sale contractual agreements, including wheeling over non-Federal transmission lines as necessary to deliver the firm hydropower resource to customers.

### Benefits

The PPW subprogram supports Western's mission to market and deliver reliable, cost-based hydroelectric power and related services. These services are marketed at rates sufficient to recover expenses and Federal investment as established by law. Recovery of the Federal investment, or repayment, is a key performance goal for Western. To maximize the marketability of Western's products, Western has entered into long-term contracts with customers of the Central Valley Project (CVP), the Pick-Sloan Missouri Basin Program, as well as other projects, to deliver power based on the normal (average over the long-term) amount of power and/or capacity available from each of the power systems. By its nature, hydropower is a variable resource; it is affected by reservoir storage, drought conditions, powerplant maintenance and other project purposes. Variations occur between load and generation hour-by-hour or even minute-by-minute. Western buys power and related transmission services to fulfill its firm power-sale contractual commitments. Western also buys transmission services, as needed, to provide the benefits of the Federal hydropower resource to numerous Federal, State, municipal, and other preference customers not directly connected to Western's system. Contracting for transmission services encourages the widespread use principle of the Flood Control Act of 1944 and avoids unnecessary Federal duplication of available transmission resources. The acquisition of non-Federal power and transmission services meets Western's power marketing contract provisions which place binding responsibilities on Western to provide firm power to customers of the Pick-Sloan Missouri Basin Program-Eastern Division, Loveland Area Projects and Parker-Davis Project.

The FY 2007 request provides for continuation of PPW receipt funded activities at the estimated level necessary to meet contractual firming needs under current drought conditions which are anticipated to have a more severe impact on available hydropower generation.

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The following table lays out the FY 2006 and FY 2007 PPW program assumptions against actual FY 2004 and FY 2005 purchases, energy prices and wheeling costs.

### Purchase Power and Wheeling Program Assumptions

	(dollars in thousands)			
	FY 2004 Actual	FY 2005 Preliminary Actual	FY 2006 Enacted	FY 2007 Request
Power Purchases (gigawatthours)				
Central Valley Project.....	5,560	3,940	1,962	3,610
Pick-Sloan Missouri Basin and Other Programs .....	3,456	4,873	4,414	4,899
Total, Purchases .....	9,016	8,813	6,376	8,509
Purchase Power Prices (\$/megawatthour)				
Central Valley Project.....	22.3	38.8	48.0	50.6
Pick-Sloan Missouri Basin and Other Programs .....	38.0	43.6	43.0	39.9
Cost of Power Purchases (\$000)				
Central Valley Project.....	123,984	152,799	94,175	182,765
Pick-Sloan Missouri Basin and Other Programs .....	131,486	212,291	189,795	195,703
Total, Purchase Power Costs.....	255,470	365,090	283,970	378,468
Wheeling Costs (\$000)				
Central Valley Project.....	16,438	19,841	25,235	37,081
Pick-Sloan Missouri Basin and Other Programs .....	10,717	9,537	12,192	12,382
Total, Wheeling Costs.....	27,155	29,378	37,427	49,463
Total, Purchase Power and Wheeling.....	282,625	394,468	321,397	427,931

### Detailed Justification

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
<b>Central Valley Project .....</b>	<b>144,522</b>	<b>77,013</b>	<b>91,214</b>
No appropriations are requested. This is authority to use offsetting collections only.			

<b>▪ Central Valley Project, Program Requirement .....</b>	<b>163,049</b>	<b>119,410</b>	<b>219,846</b>
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In FY 2007, Western continues to deliver on its contractual power commitments to customers. FY 2007 will be the second full fiscal year under the Post 2004 Marketing Plan. Firm contractual power deliveries will be significantly reduced, leading to a much lower firming purchase

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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requirement. The budget request assumes current full load service customers will choose continued service from Western through "Custom Product" contractual arrangements. The FY 2007 increase is due to additional "Custom Product" arrangements being negotiated with variable resource customers; alternative financing methods are anticipated for these arrangements. The average price for purchases in FY 2007 is based on current market rates. The prior year average prices were offset by lower cost energy available under long-term contract with PG&E which expired at the end of the 1<sup>st</sup> quarter of FY 2005.

▪ **Central Valley Project, Alternative/Customer Financing .... -18,527 -42,397 -128,632**

Anticipated variable resource customer contractual arrangements increasing in FY 2007 will be financed using alternative methods; net billing, bill crediting, and direct customer funding.

**Pick-Sloan Missouri Basin and Other Programs ..... 83,078 201,987 183,638**

No appropriations are requested. This is authority to use offsetting collections only.

▪ **Pick-Sloan Missouri Basin and Other Programs, Program Requirement ..... 108,159 201,987 208,085**

In FY 2007, the request continues to support long-term firm power commitments to customers of the Eastern and Western divisions of the Pick-Sloan Missouri Basin Program, the Fryingpan-Arkansas Project, and the Parker-Davis Project commensurate with the levels of average firm hydroelectric energy marketed by Western. The request also provides transmission support for the Pacific Northwest-Southwest Intertie Project. The total program estimates shown for FY 2007 are based primarily on market pricing of short-term firm energy, negotiated transmission rates, and Western and generating agency' forecasts reflecting the impact of existing drought conditions on purchase requirements. The FY 2007 program level is up from the FY 2006 estimate due to continuation of the severe drought conditions offset slightly by a drop in average purchase prices. The FY 2007 request will minimize the need to access the Emergency/Continuing Fund resources for these foreseeable drought related purchase power requirements.

▪ **Pick-Sloan Missouri Basin and Other Programs, Alternative/Customer Financing ..... -25,081 0 -24,447**

Alternative financing methods will be used to provide for above normal purchase power requirements, primarily due to drought, where customers are unable or unwilling to enter the market to acquire their own firming power. The Emergency/Continuing Fund authorities are also available to mitigate below normal hydro-generation resulting from the drought conditions.

**Total, Purchase Power and Wheeling (Offsetting collections)... 227,600 279,000 274,852**

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## Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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### Central Valley Project

- The gross PPW requirement of \$219.8 million in FY 2007 is up \$100.4 million from the \$119.4 million level anticipated in FY 2006. FY 2007 is the second full year under the new power sale contracts. Initial contractual arrangements were developed with full-load-service customers for preparation of the FY 2006 budget request. The FY 2007 request incorporates additional arrangements with variable resource customers. These arrangements are expected to be financed using alternative methods, primarily net billing and cash advances. As a result, purchase power levels, given normal water conditions, are expected to grow to 3,610 GWhs, at a cost of \$182.8 million in FY 2007. That's up from of 1,962 GWhs at a cost of \$94.2 million in FY 2006. The average purchase price is up from \$48/MWH to \$50.6/MWH; a 5% increase. Western expects transmission costs to increase to \$37.1 million in FY 2007 from the \$25.2 million estimated for FY 2006. These amounts are for offsetting collection authority and alternative financing; no direct appropriations are necessary.....

+100,436

### Pick-Sloan Missouri Basin and Other Programs

- The gross PPW requirement of \$208.1 million in FY 2007 is increasing by \$6.1 million from the \$202.0 million FY 2006 level. The increase reflects continuation of long-term drought conditions. As a result, purchase power requirements have increased; 4,414 GWhs in FY 2006 to 4,899 GWhs in FY 2007. It will require several years of good water conditions before purchases will drop to normal levels in the Pick-Sloan Missouri Basin. Average purchase power prices are anticipated to drop slightly from \$43/MWH in FY 2006 to \$40/MWH in FY 2007. Wheeling costs are expected to total \$12.4 million; up slightly from \$12.2 million anticipated in FY 2006. These amounts are for offsetting collection authority and alternative financing; no direct appropriations are requested for this activity. ....

+6,098

<b>Total Funding Change, Purchase Power and Wheeling .....</b>	<b>+106,534</b>
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## Utah Reclamation, Mitigation and Conservation Funding Schedule by Activity

(dollars in thousands)

	FY 2005 <sup>a</sup>	FY 2006 <sup>b</sup>	FY 2007
Total, Utah Mitigation and Conservation (Budget Authority).....	6,150	6,633	6,893

### Description

The Reclamation Projects Authorization and Adjustment Act of 1992, Title IV, established the Utah Reclamation Mitigation and Conservation Account (Account) in the Treasury of the United States. The purpose of this Account is to ensure that the level of environmental protection, mitigation, and enhancement achieved in connection with projects identified in the Act and elsewhere in the Colorado River Storage Project in the State of Utah is preserved and maintained. The Administrator of Western is authorized to deposit funds into the Account. Such expenditures are to be considered non-reimbursable and non-returnable. The Utah Reclamation Mitigation and Conservation Commission established under Title III of the Act, is authorized to administer all funds deposited into this Account.

### Benefits

This Account provides for the preservation of fish and wildlife and recreation resources impacted by the Central Utah Project and the Colorado River Storage Project in the State of Utah.

### Detailed Justification

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Utah Mitigation and Conservation.....</b>	<b>6,150</b>	<b>6,633</b>	<b>6,893</b>
A deposit in the amount of \$6,893 thousand will be made to this Account.			
<b>Total, Utah Mitigation and Conservation.....</b>	<b>6,150</b>	<b>6,633</b>	<b>6,893</b>

<sup>a</sup> FY 2005 reflects the general 0.80 percent across-the-board rescission of \$49,600 (P.L. 108-447).

<sup>b</sup> FY 2006 reflects the general 1.0 percent across-the-board rescission of \$67,000 (P.L. 109-148).

## Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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### Utah Reclamation, Mitigation and Conservation

▪ The increase is based on the required calculation using the Economic Assumptions, CPI – Urban consumers .....	+260
<b>Total Funding Change, Utah Reclamation, Mitigation and Conservation.....</b>	<b>+260</b>

## Falcon and Amistad Operating and Maintenance Fund

### Funding Profile by Subprogram

	(dollars in thousands)				
	FY 2005 <sup>a</sup> Appropriation	FY 2006 Original Appropriation	FY 2006 <sup>b</sup> Adjustments	FY 2006 Current Appropriation	FY 2007 Request
Falcon and Amistad Operating and Maintenance Fund.....	2,804	2,692	-27	2,665	2,500
Total, Falcon and Amistad Operating and Maintenance Fund (Budget Authority).....	2,804	2,692	-27	2,665	2,500

#### Public Law Authorizations:

Public Law 103-236, "Foreign Relations Authorization Act, Fiscal Years 1994 and 1995"

The Act of June 18, 1954 (68 Stat. 255)

#### Mission

The Falcon and Amistad Operating and Maintenance Fund (Maintenance Fund) was established in the Treasury of the United States as directed by the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995. The Maintenance Fund is administered by the Administrator of Western for use by the Commissioner of the U. S. Section of the International Boundary and Water Commission (IBWC) to defray administrative, O&M, replacements, and emergency costs for the hydroelectric facilities at the Falcon and Amistad Dams.

#### Benefits

The Falcon-Amistad Project hydroelectric power generation plants sell generated power to rural electric cooperatives through Western. The United States' share of the generating capacity of the two powerplants is 97.5 MW. All revenues collected in connection with the disposition of electric power generated at the Falcon and Amistad Dams, except monies received from the Government of Mexico, are credited to the Maintenance Fund. Any monies received from the Government of Mexico are credited to the General Fund of the U. S. Treasury. Revenues collected in excess of expenses are used to repay, with interest, the cost of replacements and original investments, thus supporting Western's Program Goal. Full funding will support 24-hour/day operation and maintenance of the two powerplants to ensure response to ever-changing water conditions, customer demand, and continual coordination with operating personnel of the Government of Mexico. In addition, power will be marketed, repayment studies will be completed, and revenues collected. The Federal staff funded under this program continues to be allocated to the U. S. Section of IBWC by the Department of State.

<sup>a</sup> FY 2005 reflects the general 0.80 percent across-the-board rescission of \$22,616 (P.L. 108-447).

<sup>b</sup> FY 2006 adjustment includes the general 1.0 percent across-the-board rescission of \$26,920 (P.L. 109-148).



## Falcon and Amistad Operating and Maintenance Fund Funding Schedule by Activity

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Falcon and Amistad Operating and Maintenance Fund			
Salaries and Benefits .....	1,736	1,745	1,754
Routine Services .....	813	766	622
Miscellaneous Expenses.....	245	145	108
Marketing, Contracts, Repayment Studies .....	10	9	16
Emergency Contingency .....	0	0	0
Total, Falcon and Amistad Operating and Maintenance Fund .....	2,804	2,665	2,500

### Detailed Justification

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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**Salaries and Benefits..... 1,736 1,745 1,754**

Salaries and benefits are provided for 32 positions of the U. S. Section of the IBWC who operate and maintain the two powerplants on a 24-hour/day basis, including planned maintenance activities, required safety services, and emergency response to flood operations and/or equipment failure. The slight increase is attributed to promotions, salary, and cost of living adjustments, partially offset by a decrease of hours charged to this activity.

**Routine Services..... 813 766 622**

Routine services such as inspection and service of the HVAC and air compressor systems, fire suppression systems, elevators, self-contained breathing apparatus, recharge and hydro-testing of fire extinguishers, calibration of test equipment, rebuild of electric motors, and repair of obsolete equipment when replacement parts are no longer available, will be provided. Additionally, replacement of tools and equipment, security and intrusion detector systems. The request also includes \$400,000 for a freight elevator at the 50-year old Falcon Powerplant. There is currently no elevator located within the 55-foot powerplant building and installation of this elevator would enable employees to safely transport heavy equipment to various floors within the powerplant.

**Miscellaneous Expenses..... 245 145 108**

Estimates include miscellaneous expenses for IBWC employees and technical advisors, including travel, training, communications, utilities and printing. Planned training and travel activities include that which is essential for flood response, dam safety, power house safety, to comply with the standards of the Interagency Commission on Dam Safety (ICODS), Occupational Safety and Health Administration (OSHA), the National Dam Safety Act, and to participate in the international efforts of drought management. The decrease in this activity is attributed to a decrease in communication, utility and office supply estimates, slightly offset by an increase to transportation and travel estimates.

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Marketing, Contracts, Repayment Studies .....</b>	<b>10</b>	<b>9</b>	<b>16</b>
Costs for marketing power, administration of power contracts, and preparation of rate and repayment studies are included. Based on accurate studies, staff ensures that power revenues are set at an appropriate level to recover annual expenses and meet repayment schedules, thus supporting Western's Program Strategic Performance Goal. The increase to this activity is attributable to an increase in repayment and rate studies as well as to fund this activities proportionate share of audit costs.			
<b>Total, Falcon and Amistad Operating and Maintenance Fund .....</b>	<b>2,804</b>	<b>2,665</b>	<b>2,500</b>

### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Salaries and Benefits

- The slight increase is attributed to promotions, salary, and cost of living adjustments, partially offset by a decrease of hours charged to this activity. .... +9

#### Routine Services

- The decrease in routine services reflects a slightly lower level of equipment and tool replacements..... -144

#### Miscellaneous Expenses

- The decrease in this activity is attributed to a decrease in communication, utility and office supply estimates, slightly offset by an increase to transportation and travel estimate ..... -37

#### Marketing, Contracts, Repayment Studies

- The increase is attributable an increase in repayment and rate studies as well as to fund this activities proportionate share of audit costs ..... +7

**Total Funding Change, Falcon and Amistad Operating and Maintenance Fund..... -165**

## Colorado River Basins Power Marketing Fund

### Funding Profile by Subprogram

(dollars in thousands)

	FY 2005 Current Appropriation	FY 2006 Original Appropriation	FY 2006 Adjustments	FY 2006 Current Appropriations	FY 2007 Request
Colorado River Basins Power Marketing Fund (CRBPMF)					
Equipment, Contracts and Related Expenses.....	167,876	131,232	0	131,232	180,347
Program Direction .....	38,741	40,036	0	40,036	40,734
Total, CRBPMF (Operating Expenses from new authority).....	206,617	171,268	0	171,268	221,081
Offsetting Collections Realized .....	-206,617	-194,268	0	-194,268	-244,081
Total, CRBPMF (Obligational Authority).....	0	-23,000	0	-23,000	-23,000

#### Mission

Western operates and maintains the transmission system for the projects funded in this account to ensure an adequate supply of reliable electric power in a clean and environmentally-safe, cost-effective manner. The Colorado River Basins Power Marketing Program (Program) is comprised of the three power systems: the Colorado River Storage Project, including the Dolores and Seedskadee Projects; the Fort Peck Project, and the Colorado River Basin Project. This program is funded through Western's business-type revolving fund (Federal Enterprise Fund), the Colorado River Basins Power Marketing Fund.

#### Benefits

Western achieves continuity of service by maintaining its power systems at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from non-firm energy sales. In concert with its customers, Western reviews required replacements to its existing infrastructure to sustain reliable power delivery to its customers and to contain annual maintenance expenses.

Revenues from the sale of electric energy, capacity and transmission services replenish the fund and are available for expenditure for operation, maintenance, replacements, power billing and collection, program direction, purchase power and wheeling, interest, emergencies, and other power marketing expenses. Power sales and other revenues, which are collected in excess of expenses, are used to repay Federal investments to the U.S. Treasury. This request represents Western's estimate of obligations to finance these business-type operations.

## Equipment, Contracts and Related Expenses

### Funding Schedule by Activity

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
Equipment, Contracts and Related Expenses			
Supplies, Materials, and Services .....	9,414	8,752	11,739
Purchase Power Costs .....	134,671	99,031	154,250
Capitalized Equipment .....	8,952	13,170	6,360
Interest/Transfers .....	14,839	10,279	7,998
Total, Equipment, Contracts and Related Expenses .....	167,876	131,232	180,347

### Description

This program supports the Department of Energy's mission, "To promote clean, abundant, affordable, and reliable energy; ..." Western ensures an adequate supply of reliable electric power in a safe, cost-effective manner, and achieves continuity of service throughout its service territory by maintaining its power system at or above industry standards, rapidly restoring service following any system disturbance, mitigating adverse environmental impacts, performing clean-up activities, and maximizing the revenues gained from ancillary services and cost-based non-firm energy sales.

### Benefit

Western's equipment, contracts and related expenses are necessary to operate and maintain this activity. Revenues from the sale of electric energy, capacity and transmission services replenish the fund and are available for expenditure for operation, maintenance, power billing and collection, program direction, purchase power and wheeling, interest, emergencies, and other power marketing expenses.

Supplies and materials, such as wood poles, instrument transformers, meters and relays, must be procured to provide necessary resources to respond to routine and emergency situations in the high-voltage interconnected transmission system. Technical services, such as waste management disposal and pest/weed control, are used as needed.

Western's planned replacement and addition activity is based on an assessment of age and the maintenance frequency/problems of individual items of equipment, availability of replacement parts, safety of the public and Western's personnel, environmental concerns, and an orderly work plan. The work plans, coordinated with Western's customers who ultimately bear the burden of all Western expenses, reflect an overall sustainable level of effort, with shifts in emphasis between categories (i.e. electrical versus communication equipment) in any given year.

Electrical equipment replacements, such as circuit breakers, transformers, insulators, revenue meters, switches, control boards, relay and controls must be acquired to assure reliable service to Western's customers. System age and environmental concerns necessitate orderly replacement before significant problems develop.

Replacement and upgrade of microwave, SCADA, and other communication and control equipment continues to provide increased system reliability, and reduce maintenance and equipment costs.

Capitalized movable equipment such as special purpose vehicles (e.g., truck tractor, diggers), special purpose equipment (e.g., pole trailers, brush chippers), specialized test equipment (e.g., motion analyzers and relay test equipment), computer-aided engineering equipment, office equipment, IT equipment and software must be upgraded and replaced.

Electrical resources and transmission capability to firm up the Federal hydropower supplies needed to meet Western's contractual obligations will continue to be obtained. Transmission wheeling services are also purchased when a third party's transmission lines are needed to deliver Federal power to Western's customers.

Reimbursements to the U. S. Army Corps of Engineers for operation and maintenance of the Fort Peck Powerplant and planned interest payments to the U. S. Treasury are also included in this section.

## Detailed Justification

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Supplies , Materials, and Services .....</b>	<b>9,414</b>	<b>8,752</b>	<b>11,739</b>

Supplies, materials, and services necessary to respond to routine and emergency situations in the high-voltage interconnected transmission system will be procured, and reimbursements to the U.S. Army Corps of Engineers for operation and maintenance of the Fort Peck Powerplant will continue. A well-maintained transmission system supports Western's attainment of reliability and transmission availability performance by preventing sudden failure, unplanned outages, and possible regional power system disruptions. By providing 24-hour/day reliable electric power delivery to its customers, Western secures revenues for repayment of the Federal investment. Safe working procedures are discussed before work begins to optimize public safety, Western personnel, and equipment. The target request is based on projected work plans for activities funded from this Account. Estimates are based on historical data of actual supplies needed to maintain the transmission system reliably, including emergency situations such as ice storms and tornadoes. Costs are based on recent procurement of similar items. The increase is primarily attributed to inflationary factors.

<b>Purchase Power Costs.....</b>	<b>134,671</b>	<b>99,031</b>	<b>154,250</b>
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Electrical resources, transmission capability and wheeling services will be purchased. The request anticipates the continued low-steady-flow tests conducted at Glen Canyon Dam, as required by the Glen Canyon Dam Environmental Impact Statement Record of Decision. Additionally, amounts include obligational authority to accommodate replacement power purchases for customers served by the Colorado River Storage Project. The replacement power purchases, a provision of the Salt Lake City Area Integrated Projects electric power contracts, are made at the request of power customers at times Western lacks sufficient generation to meet its full contract commitment. The funds for the replacement power purchases are advanced by the requestors prior to the purchase. Anticipated purchase power budget estimates increase in FY 2007 as a result of increased power costs to Western, and an increase in delivered MWh.

<b>Capitalized Equipment .....</b>	<b>8,952</b>	<b>13,170</b>	<b>6,360</b>
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Capitalized equipment, including circuit breakers, transformers, relays, switches, transmission line equipment, microwave, SCADA, and other communication and control equipment, will be acquired to

**Colorado River Basins Power Marketing Fund/**

**Western Area Power Administration/**

**Equipment, Contracts and Related Expenses**

**FY 2007 Congressional Budget**

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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assure reliable service to Western's customers. Replacement and upgrade of aged power system components are crucial to system reliability and transmission availability performance. Removing environmental hazards and replacing aged equipment eliminates safety hazards for the public and Western's personnel.

Planned communications equipment purchases remain relatively constant and include funding for the continuation of the project to replace analog microwave with fiber optic ground wire and fiber optic terminal equipment as well as to replace analog radios with digital radios to meet Western's bandwidth requirements. Also being replaced is aged communications test equipment, battery load testers, TRU replacements, and replacement of Western's telemetry system. Transmission line estimates include the purchase of poles, crossarms, conductors, overhead ground wire and hardware for the continued transmission line rebuilds and replacement to the 230-kV specifications for approximately 10 additional miles of the Havre-Rainbow line, as the current microwave system is obsolete.

Planned substation estimates include the continuing program to upgrade circuit switches as they are aged and worn, replacement of electro-mechanical relays with microprocessor relays due to aged equipment. The microprocessor relays will assist in finding faults faster in order to more efficiently restore service to the customer. Funding is also requested to place the digital fault recorder at Havre, aged reactor breakers, perimeter intrusion detection devices, batteries and chargers systems throughout Montana, and miscellaneous electrical equipment. Substation estimates also include replacing aged substation disconnect switches, upgrade existing equipment at the Alternate Control Center to increase its functionality per NERC requirements, replace surge arrestors, and station service building replacement at Hayden. Funding is also requested to replace the air core reactors at the Hayden substation. Current reactors are constructed of concrete and aluminum, with a minimal amount of insulation and have been experiencing deterioration. Also planned is the replacement of the existing transformer monitors with Digital Temperature and Dissolved Gas monitors at Shiprock substation and electrical equipment components required to ensure successful completion of the transformer uprate at Flaming Gorge.

Planned movable capitalized property estimates include the replacement of a 25-year old truck tractor at Havre, as well as replacement of a 23 year old digger which has reached the end of its useful life and has been difficult to maintain. This unit will be used for rebuilding wood transmission lines to 203-kV standards and maintenance of the existing system. Other estimates include the replacement of outdated test equipment, and test equipment to troubleshoot the new digital microwave radio system. Funding is requested to replace a truck/550 Ford Pickup, a puller/tensioner, and a scanner/plotter for CAD drafting. Replacement is also planned for a 20-year-old motor grader at Craig. The existing motor grader is undersized and most of the transmission lines within this service area are of rough terrain and remote. The construction, reconstruction, and maintenance of access roads and the associated transmission line right-of-ways are critical requirements interrelated to the successful completion of the overall maintenance program. This equipment is necessary to facilitate access to structure sites.

Other requests include funding for the continuation SCADA Upgrade program as well as other small minor enhancements that provide for the ease of maintenance, protection of equipment and materials, and environmental compliance.

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
<b>Interest/Transfers .....</b>	<b>14,839</b>	<b>10,279</b>	<b>7,998</b>
Interest payments to the U. S. Treasury will occur. Estimates are based on Power Repayment Studies for the Projects funded in this account. The projected interest payment decreases in FY 2007 as Western does not foresee any future investments.			
<b>Total, Equipment, Contracts and Related Expenses.....</b>	<b>167,876</b>	<b>131,232</b>	<b>180,347</b>

### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Supplies and Materials

- The increase is attributed to inflation and slight change in the level of activity. .... +2,987

#### Purchase Power Costs

- Purchase power costs increase in FY 2007 as a result of purchase power price increases and the delivery of additional MWh. .... +55,219

#### Capitalized Equipment

- The decrease in capitalized equipment purchases is primarily attributed to a decreased level of purchases associated with planned replacement of transmission line hardware and substation equipment. .... -6,810

#### Interest

- Planned interest payment to the U.S. Treasury in FY 2007 decreases due to unpaid investments having lower interest rates. .... -2,281

<b>Total Funding Change, Equipment, Contracts and Related Expenses.....</b>	<b>+49,115</b>
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## Program Direction

### Funding Profile by Category

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
Program Direction			
Salaries and Benefits .....	27,581	29,017	29,974
Travel.....	2,174	2,013	2,121
Support Services .....	4,252	4,592	4,874
Other Related Expenses.....	4,734	4,414	3,765
Total, Program Direction .....	38,741	40,036	40,734
Full Time Equivalents .....	264	281	271

### Mission

As stated in the Departmental Strategic Plan, DOE's Strategic and General Goals will be accomplished not only through the efforts of the major program offices in the Department but with additional effort from offices which support the programs in carrying out the mission. Western performs critical functions which directly support the mission of the Department. These functions include attaining reliability performance, maintaining the interconnected system at or above industry standards to reduce transmission outages, maximizing revenues from non-firm energy sales, as well as reviewing and adjusting power rates to support repayment of the Federal investment. Western trains its employees on a continuing basis in occupational safety and health regulations, policies and procedures, and conducts safety meetings at employee, supervisory and management levels to keep the safety culture strong. Accidents are reviewed to ensure lessons are learned and proper work protocol is in place.

### Detailed Justification

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Salaries and Benefits .....</b>	<b>27,581</b>	<b>29,017</b>	<b>29,974</b>

Salaries and benefits will be provided for Federal employees who operate and maintain the Program's high-voltage integrated transmission system and associated facilities; plan, design, and supervise the replacement (capital investments) to the transmission facilities; and market the power and energy produced to repay annual expenses and capital investment. Engineers and craft workers rapidly restore the transmission system, comprised of approximately 4,000 circuit-miles of transmission lines and associated substations, switchyards, communication, control and general plant facilities, following any disturbance. Staff routinely maintain and/or replace equipment to assure capability for reliable power delivery. Dispatchers respond to minute-by-minute changes to load and generation to meet or exceed the NERC and industry averages. Energy schedulers maximize revenues from non-firm energy sales, and power rates are reviewed and adjusted, thereby supporting the repayment of Federal investment. Staff provides continuing services such as system operations, power billing and collection, power marketing, energy services, technology transfer, environmental, safety, security and emergency management

Colorado River Basins Power Marketing Fund/  
Western Area Power Administration/  
Program Direction

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(dollars in thousands)

FY 2005	FY 2006	FY 2007
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activities. Due to the extreme hazards associated with a high-voltage electrical system, staff makes safety a priority in each and every task. Staff evaluates general power resources, collaborating and planning with customers and members of the interconnected transmission system to identify the most effective transmission system improvements to maximize benefits to all participants.

The 271 FTE supported in this account reflects both direct and indirect (portions of administrative and general expense employees). Amounts are based on planned work associated with facilities funded through this Account and not on specific positions; therefore, FTE numbers may vary from year to year. The funding increase reflects anticipated salary and within-grade increases, slightly offset by a decrease in FTE. As authorized in P.L. 99-141, Western annually establishes pay rates and compensation policy for some employees (craft workers, power system dispatchers, schedulers, and marketers) based on prevailing rates in the electric utility industry. Due to recruitment/retention issues for those occupations across the Nation and increased staff in these categories to meet the additional workload requirements attributed to FERC Order Nos. 888 and 889, Western's Federal salary/benefit costs for the dispatching/scheduling functions increase at varying rates.

<b>Travel .....</b>	<b>2,174</b>	<b>2,013</b>	<b>2,121</b>
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Transportation/per diem allowances for day-to-day performance of duties of Federal staff, including crews maintaining the transmission facilities will continue. Rental/lease of GSA vehicles and transportation of things are also included. Estimates are based on historical travel costs, adjusted for inflation and planned activity. Increased levels are attributable to inflation and an increased cost of transportation, slightly offset by a decrease in Western's indirect distribution charged to this account.

<b>Support Services.....</b>	<b>4,252</b>	<b>4,592</b>	<b>4,874</b>
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Support services funded in this activity include IT support, warehousing, computer-aided drafting/engineering, and general administrative support. The increase is primarily attributed to inflationary factors and the reclassification of an existing contract to support services.

<b>Other Related Expenses .....</b>	<b>4,734</b>	<b>4,414</b>	<b>3,765</b>
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Other related expenses include, but are not limited to, DOE's working capital fund distribution, space, utilities and miscellaneous charges, printing and reproduction, training tuition, maintenance of office equipment, supplies and materials, telecommunications, personal computers, and multi-project costs. Intermittent specialized services, not included in on-going support service contracts, are also included. Rental space costs assume the GSA inflation factor. Other costs are based on historical usage and actual cost of similar items. The request reflects inflationary increases offset by decreases in Western's level of activity charged to this account.

<b>Total, Program Direction.....</b>	<b>38,741</b>	<b>40,036</b>	<b>40,734</b>
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## Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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### Salaries and Benefits

- Increase in salaries and benefits is attributed to salary and within grade increases, including salaries determined by prevailing rates in the electric utility industry, partially offset by a decrease to administrative indirect distributions. .... +957

### Travel

- Increased levels are attributable to inflationary factors, an increase in transportation and travel costs, offset by a slight decline in Western's administrative indirect distributions to this account. .... +108

### Support Services

- Increase in support service estimates is primarily attributed to inflationary factors and a planned new contract award in support of Western's scheduling activities, partially offset by a decrease to ADP support..... +282

### Other Related Expenses

- Decrease in estimated other related expenses includes inflationary increases offset by decreases in Western's administrative indirect distributions to this account. This includes decreases to supplies and materials, miscellaneous services and charges, as well as to software acquisitions ..... -649

**Total Funding Change, Program Direction ..... +698**

## Support Services by Category

(dollars in thousands)

	FY 2005	FY 2006	FY 2007	\$ Change	% Change
<b>Technical Support</b>					
Economic and Environmental Analysis .....	0	0	0	0	0.0%
Test and Evaluation Studies .....	0	0	0	0	0.0%
<b>Total, Technical Support .....</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>
<b>Management Support</b>					
Management Studies .....	0	0	0	0	0.0%
Training and Education.....	0	0	0	0	0.0%
ADP Support.....	1,936	1,985	1,022	-963	-48.5%
Administrative Support .....	2,316	2,607	3,852	+1,245	+47.8%
<b>Total, Management Support .....</b>	<b>4,252</b>	<b>4,592</b>	<b>4,874</b>	<b>+282</b>	<b>+6.1%</b>
<b>Total, Support Services.....</b>	<b>4,252</b>	<b>4,592</b>	<b>4,874</b>	<b>+282</b>	<b>+6.1%</b>

## Other Related Expenses by Category

(dollars in thousands)

	FY 2005	FY 2006	FY 2007	\$ Change	% Change
Other Related Expenses					
Training .....	200	200	200	0	0.0%
Working Capital Fund.....	235	172	201	+29	+16.9%
Printing and Reproduction .....	50	44	30	-14	-31.8%
Rental Space .....	805	692	721	+29	+4.2%
Software Procurement/Maintenance					
Activities/Capital Acquisitions.....	1,103	982	711	-271	-27.6%
Other.....	2,341	2,324	1,902	-422	-18.2%
Total, Other Related Expenses .....	4,734	4,414	3,765	-649	-14.7%

## System Statistics

	FY 2005	FY 2006	FY 2007
Generating Plants (Number) .....	56	56	56
Generating Capacity:			
Installed Capability (kW) .....	10,293,000	10,293,000	10,293,000
Substations <sup>a</sup> :			
Number <sup>b</sup> .....	292	292	294
Capacity (kVa) <sup>c</sup> .....	25,672,680	25,672,680	25,702,680
Transmission Lines (Circuit-miles):			
500-kV <sup>d</sup> .....	628.50	628.50	628.50
345-kV .....	1,574.03	1,574.03	1,574.03
230-kV .....	6,968.31	6,968.31	6,968.31
161-kV .....	888.22	888.22	888.22
138-kV .....	330.19	330.19	330.19
115-kV .....	5,670.28	5,670.28	5,670.28
69-kV and below .....	945.96	945.96	945.96
Total circuit-miles .....	17,005.49	17,005.49	17,005.49

<sup>a</sup> Number of substations in outyears is based on facilities that are projected to be commissioned or ownership transferred in that year.

<sup>b</sup> Additions planned for FY 2007 include Snowy Range Substation (Wyoming) and Trinity Substation (California).

<sup>c</sup> FY 2007 includes an increase of 30,000 kVA (Trinity).

<sup>d</sup> Includes 84 miles of 500 kV Los Banos - Gates transmission line (Path 15) in 2005.

## Estimate of Revenues <sup>a</sup>

(dollars in thousands)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Boulder Canyon Project .....	59,012	73,756	74,119	80,494	79,216	80,285	78,744
Central Valley Project .....	248,139	236,841	245,557	253,636	260,922	260,922	260,922
Central Arizona Project <sup>b</sup> .....	119,138	104,698	104,698	104,698	104,698	104,698	104,698
Falcon-Amistad Project .....	5,372	4,968	4,966	4,966	4,965	4,964	4,962
Fryingpan-Arkansas Project.....	17,740	15,369	14,900	14,909	14,909	14,795	14,013
Pacific Northwest-Southwest Intertie Project .....	24,697	33,484	35,781	35,781	35,781	35,781	35,781
Parker-Davis Project.....	45,703	45,593	44,073	42,022	63,353	63,349	63,345
Pick-Sloan Missouri Basin Program...	374,008	318,095	343,079	338,646	349,592	344,831	344,871
Provo River Project .....	306	274	277	280	282	300	300
Washoe Project.....	89	581	581	581	581	581	581
Salt Lake City Area Integrated Projects .....	163,267	158,873	160,029	162,131	163,303	164,416	164,474
Subtotal, Gross Revenues .....	1,057,471	992,532	1,028,060	1,038,144	1,077,602	1,074,922	1,072,691
Agency Rate Proposal <sup>c</sup> .....	0	0	151	295	428	515	586
Total, Gross Revenues	1,057,471	992,532	1,028,211	1,038,439	1,078,030	1,075,437	1,073,277

<sup>a</sup> For most power systems, Amounts are based on the FY 2004 Power Repayment Studies (PRS). For the Pick-Sloan Missouri River Basin Program, amounts are based on the '06 ratebase PRS. The Central Arizona Project (CAP) does not have a PRS because it has no power repayment obligation; amounts shown are based on estimated projections.

<sup>b</sup> Western has contractually agreed for the Salt River Project (SRP) to act as the scheduling entity and operating agent for CAP's portion of the Navajo Generating Station's output (547 MW). In return, as Western retains marketing responsibility, SRP agreed to pay monthly costs to cover annual expenses.

<sup>c</sup> The Budget provides that the interest rate for future obligations owed to the Treasury by Western Area Power Administration for power-related investments be set at the rate Governmental corporations borrow in the market, similar to the interest rates current law sets for Bonneville Power Administration's borrowing from the U.S. Treasury. This new policy will be applied to all power-related investments whose interest rates are not specified in law.

## Estimate of Energy Sales<sup>a</sup>

(in gigawatthours)<sup>b</sup>

	Preliminary Actual FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Boulder Canyon Project .....	3,151	3,755	3,927	3,939	3,937	3,980	4,051
Central Valley Project <sup>c</sup> .....	8,165	4,750	4,750	4,750	4,750	4,750	4,750
Central Arizona Project (Navajo).....	4,225	4,260	4,260	4,260	4,260	4,260	4,260
Falcon-Amistad Project .....	152	73	73	73	73	73	73
Loveland Area Projects <sup>d</sup> .....	2,884	2,134	2,134	2,134	2,134	2,134	2,134
Pacific Northwest-Southwest Intertie Project <sup>e</sup> .....	0	0	0	0	0	0	0
Parker-Davis Project.....	1,344	1,346	1,346	1,346	1,425	1,425	1,425
Pick-Sloan Missouri Basin Program, Eastern Division.....	10,292	10,245	10,405	10,902	10,422	10,432	10,432
Provo River Project .....	11	10	10	10	10	10	10
Washoe Project.....	8	11	11	11	11	11	11
Salt Lake City Area Integrated Projects <sup>f</sup> .....	5,221	5,084	5,191	5,314	5,435	5,466	5,472
Total.....	35,453	31,668	32,107	32,739	32,457	32,541	32,618

<sup>a</sup> For Pick-Sloan Missouri River Basin Program, amounts are based on '05 ratebase Power Repayment Studies (PRS). For Central Valley Project, Fryingpan-Arkansas Project, Parker-Davis Project, and Washoe Project, amounts are based on FY 2003 PRS. FY 2004 PRS is used for Boulder Canyon Project and Salt Lake City Area Integrated Projects. The estimates for Central Arizona, Falcon-Amistad, and Provo River projects are based on averages sales over the prior five years.

<sup>b</sup> One gigawatthour (GWh) equals one million kilowatt-hours (kWh).

<sup>c</sup> Post 2004 sales estimates for the Central Valley Project assume power delivery at reduced levels pending establishment of outyear project use and negotiation of customer Custom Product contractual requirements.

<sup>d</sup> Loveland Area Projects include Fryingpan-Arkansas Project and the Western Division of the Pick-Sloan Missouri Basin Program.

<sup>e</sup> Pacific Northwest-Southwest Intertie shows no energy sales, but reflects revenues from the transmission of energy (refer to the Estimate of Revenues table). The Intertie Project is for transmission of energy only.

<sup>f</sup> Salt Lake City Area Integrated Projects include the Colorado River Storage Project, Collbran Project, Rio Grande Project, Seedskadee Project, and Dolores Project.

## Estimate of Proprietary Receipts

(dollars in thousands)

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Falcon Amistad Maintenance Fund, 895178 .....	3,072	2,665	2,500	2,626	2,731	2,841	2,956
Sale and transmission of electric power, Falcon and Amistad Dams, 892245.....	2,300	2,303	2,466	2,340	2,234	2,123	2,006
Sale of Power and Other Utilities Not Otherwise Classified, 892249 <sup>a</sup> .....	26,243	30,000	30,000	30,000	30,000	30,000	30,000
Sale of Power–Western–Reclamation Fund, 895000.27.....	416,393	184,627	225,882	246,086	269,554	239,398	237,543
Subtotal, Proprietary Receipts.....	448,008	219,595	260,848	281,052	304,519	274,362	272,505
Change Due to ‘Agency Rate’ Proposal <sup>b</sup> .....	0	0	151	295	428	515	586
Total, Proposed Proprietary Receipts.....	448,008	219,595	260,999	281,347	304,947	274,877	273,091

<sup>a</sup> The 892249 account provides primarily for revenue transfers from the Reclamation Fund (895000.27) to the General Fund covering U. S. Army Corps of Engineers’ expenditures for several dams on the Missouri River.

<sup>b</sup> The Budget provides that the interest rate for future obligations owed to the Treasury by Western Area Power Administration for power-related investments be set at the rate Governmental corporations borrow in the market, similar to the interest rates current law sets for Bonneville Power Administration’s borrowing from the U.S. Treasury. This new policy will be applied to all power-related investments whose interest rates are not specified in law.



## Pending Litigation

Pending litigation that may impact Western's FY 2007 Congressional Budget request includes:

- ? ***California Power Exchange Corp., United States Bankruptcy Court, Central District of California, Case No. LA 01-16577-ES.*** On March 9, 2001, the California Power Exchange (PX) filed for bankruptcy under Chapter 11 of the Federal Bankruptcy Code. The filing was necessary after the PX had ceased operations on January 31, 2001. The PX could not operate after that date because it was not being paid by Pacific Gas & Electric (PG&E) and Southern California Edison (SCE) for purchases they were making from the PX. Western is owed approximately \$6.7 million by the PX. Western has filed a claim in the case and is being represented by bankruptcy counsel from the Department of Justice (DOJ) in Washington, DC. Final settlement of the bankruptcy is complicated due to the interrelationship of this case and many others stemming from the dysfunctional California electricity markets in 2000 and 2001. In order to pay its debts, the PX must ultimately be able to collect significant sums from PG&E and SCE. PG&E was itself in bankruptcy and SCE was in default for most of its obligations. The resolution of PG&E's bankruptcy has assisted in final resolution of the PX's bankruptcy. PG&E has escrowed significant funds to cover its obligations to the PX, as has SCE.

The PX has a court approved Reorganization Plan. Much of the plan is dependent on certain approvals being made by FERC. FERC must address among other issues; the allocation of defaults among participants in the PX markets, the disposition of collateral, the calculation of "refunds" in the "Refund Case" (See FERC Docket Nos. EL00-95-000, et al., below), and the winding up of litigation related to the PX markets. Current litigation at FERC against the PX includes claims from PowerEx and other PX participants for return of collateral.

Additionally, to wind up its FERC related activities, the Reorganized PX requires funding. In July 2002, the PX made a Section 205 application to FERC for approval of a rate schedule that would permit PX to charge its participants for their appropriate share of the costs of winding up its operations. The PX estimated that it will require approximately \$35 million that should be set aside from the Settlements and Clearing Accounts to secure payment of these administrative charges to its participants. FERC approved the rate schedule in August, 2002. In July 2004, the Court of Appeals for the DC Circuit struck down the rate, concluding it violated the "filed rate doctrine" and amounted to impermissible retroactive rate making. Settlement proceeding have successfully reached a new rate for the PX, and that settlement was filed with FERC on September 1, 2005, and is pending FERC approval. (See also FERC Docket No. ER05-167-000, below).

- ? Additionally, as part of the rate settlement discussed above, California State court proceedings related to "inverse condemnation" of the "block forward" contracts that were seized by former California Governor Davis immediately following the PX's initial defaults in January 2001 will be dismissed. Similarly, litigation against former directors and officers for allegations of malfeasance at the time of the PX's demise in 2001 will be dismissed in exchange for cash settlements with the "Director & Officer" insurers. The PX has made filings with the appropriate fora to effectuate the settlement.

? ***Quechan Indian Tribe vs. United States, United States District Court, Southern District of California, Docket No. 02 CV 01096 JH (AJB).*** On June 7, 2002, the Quechan Indian Tribe filed suit in Federal District Court in its own capacity, and as *parens patriae* on behalf of its members, seeking declaratory and injunctive relief and \$9.4 million in damages relating to the impact to cultural sites that occurred within the Tribe's Fort Yuma Reservation located in Imperial County, California. The causes of action against Western are for money damages for injury or loss of property caused by the alleged negligent or wrongful acts or omissions of federal employees while acting within the scope of their office or employment when doing work on a project known as the Gila-Knob Pole 161-Kv Wood Pole Rehabilitation Project. The United States filed an Answer on October 22, 2002.

In July 2003, the Parties applied for and were granted a stay of the present litigation pending a ruling by the United States Supreme Court in a case which addresses whether the Tribe ceded ownership of its reservation in 1893. *See Arizona v. California*, 530 U.S. 392 (2000). A ruling by the Supreme Court could have resulted in the Tribe losing its interest in its Reservation which would impact nearly all of the Tribe's claims in the present lawsuit. However, the parties settled Supreme Court litigation. The Solicitor General's office requested comments from Western on the terms of the Supreme Court Settlement and Western formally objected to the language permitting the Tribe to retain all arguments in this case.

Following the Supreme Court settlement, the United States and the Tribe negotiated, and the Court approved, a Case Management Order that provides for the following four phased approach: (Phase 1) fact discovery was completed by June 10, 2005; (Phase 2) the parties will file summary judgment motions; (Phase 3) expert discovery; and (Phase 4) pretrial proceedings.

The Parties are now in Phase 2, and the Parties filed Cross Motions for Summary Judgment on September 2, 2005: Responsive Briefs on November 4, 2005, and Reply Briefs on December 9, 2005. Oral argument was held on January 11, 2006.

#### Federal Energy Regulatory Commission Litigation

? ***California Independent System Operator Corp., Docket ER01-313-000 and Pacific Gas and Electric Company, Docket No. ER01-424-000 (consolidated).*** In docket ER01-313-000, on November 1, 2000, the California Independent System Operator Corporation (CAISO), tendered for filing an unbundled Grid Management Charge (GMC). The purpose of the GMC is to allow the CAISO to recover its administrative and operating costs. The CAISO requested that the unbundled GMC be made effective as of January 1, 2001.

In docket ER01-424-000, on November 13, 2000, PG&E tendered for filing a GMC Pass-Through Tariff. PG&E alleges that the filing seeks to recover the costs proposed in the CAISO's GMC filing in Docket No. ER01-313-000. PG&E further alleges that it is a new service. PG&E requests an effective date of January 1, 2001, or the date the Commission makes effective the CAISO's filing. In the alternative, PG&E argued it was allowed to modify the existing contracts to pass through the GMC. Western argued that PG&E was not offering a new service for its existing contract customers. Western also argued the GMC was unjust and unreasonable. Finally, Western argued the filing was insufficient.

On December 29, 2000, the Commission consolidated ER01-313-000 with ER01-424-000 and accepted the matter for filing and set the matter for evidentiary hearing. Western filed its answering testimony on August 17, 2001. Western filed a motion asking for summary judgment on the issue of whether PG&E could modify Western's existing contracts. The Presiding Judge granted Western's motion. As a result, the only issue at hearing was whether the charges were new services. From November 13, 2001 – December 20, 2001, the Presiding Law Judge heard the case. The Presiding Judge issued her initial decision on May 10, 2002.

The Initial Decision found that the charges for Control Area Service (CAS bucket) constituted a new service to PG&E's Control Area Agreement (CAA) customers, i.e. existing contract holders. The Initial Decision also found that charges for Market Operations (MO bucket) was not a new service for CAAs. Therefore, the Presiding ALJ ordered PG&E to make a compliance filing to reflect the existing charges for market operations under each CAA and those additional ISO MO charges. However, in the case of Western, the Presiding Judge acknowledged her earlier ruling on Summary Judgment that PG&E had not fulfilled its limited Section 205 rights under 2948A. Thus, PG&E is barred from amending Contract 2948A with the charges for MO, despite a compliance filing.

Western filed a brief on exceptions on June 10, 2002, asserting that the Initial Decision errs in finding that the CAS bucket constitutes a new service and violates Commission precedent. On May 2, 2003, the Commission issued an opinion affirming the Presiding Judge's opinion that the CAS pass through was a new service and reversing the Presiding Judge's finding that the MO component of the GMC was not a new service. On June 2, 2003, Western filed a request for rehearing. On January 23, 2004, the Commission issued an order denying Western's, and other parties, Requests for Rehearing. Western then requested that the Department of Justice seek judicial review of FERC's decision.

The Department of Justice filed a Petition for Review on March 22, 2004, and is seeking authorization from the Solicitor General's Office to pursue judicial review. In the meantime, numerous parties filed requests for rehearing on the Commission's Opinion 463-A, 106 FERC ¶61,032 (2004). As a result of these continued administrative proceedings, FERC Staff moved to stay the Circuit Court appeal proceedings and the Circuit Court granted that motion.

FERC granted the parties' requests for rehearing on Opinion 463-A and issued a ruling deferring further action on the request for rehearing pending a remand to the Administrative Judge for additional fact development on the limited issue of whether certain generators that are modeled by the ISO should be charged GMC based on a net meter read rather than on Control Area Gross Load ("CAGL"). On November 7, 2005, the Commission issued Opinion No. 463-B, 113 FERC ¶ 61,135, addressing the CAGL issue with respect to certain generators. Certain parties have filed Requests for Rehearing of Opinion No. 463-B, and, therefore, the D.C. Circuit appeal continues to be held in abeyance pending the Commission's ruling.

In the meantime, PG&E has sent invoices to Western for the GMC charges. Western, however, was unable to verify PG&E's loads on which it is basing the GMC charge and, therefore, Western was unable to pay the invoices and, also, Western's obligation to pay the invoice was dependent on the outcome of Western's D.C. Circuit Court appeal. On December 1, 2005, Western received a revised GMC bill from PG&E that is based on load data that Western is able to verify. However, Western does not plan on making payments on this invoice until after the D.C. Circuit ruling.

- ? ***Calpine Construction Finance Co., FERC Docket ER05-912-000.*** On April 29, 2005, CCFC submitted for filing, a rate schedule to charge Western for Reactive Supply and Voltage Control from CCFC's Sutter power plant under CCFC's interconnection agreement with Western. Under the interconnection agreement, CCFC interconnects its Sutter power plant into Western's Central Valley Project transmission system. As part of the interconnection agreement, CCFC is required to operate its generating facility within a clearly specified power factor range. The interconnection agreement does not provide CCFC with compensation for operating its facility within that range – it is an obligation of the agreement. With this filing, CCFC is seeking to establish a rate for operating its facility within the power factor range under the agreement.

Western filed a protest arguing that under the existing agreements, CCFC is not entitled to compensation for operating the Sutter power plant within the specified power factor requirements. Neither CCFC nor the Commission can unilaterally require Western to modify these existing agreements to provide compensation to CCFC. CCFC is seeking approximately \$1.7 million annually.

The Commission set the matter for hearing; however, Western has informed the Commission that it will not participate in the hearings since it would be consenting to jurisdiction. The parties are currently preparing testimony in the case.

On December 1, 2005, in conjunction with the resolution of the District Court case above, Calpine filed an offer of settlement in the matter. As of December 2005, the parties are awaiting a certification by the Presiding Judge and an action by the Commission.

- ? ***Pacific Gas and Electric Company, Docket Nos. ER04-242, EL04-50.*** In this companion case to ER01-424-000, PG&E tendered for filing a GMC Pass-Through Tariff on November 26, 2003. PG&E alleges that the filing seeks to recover the costs proposed in the CAISO's GMC filing in Docket No. ER04-115-000. The ISO has further unbundled the GMC charges from its previous three buckets to seven buckets. All parties to this case, including PG&E and Western, entered into a settlement agreement providing that the 2004 GMC charges could be passed through to Western if the invoices are certified and verifiable and subject to the outcome of the Circuit Court appeal in ER01-424-000.

- ? ***Pacific Gas and Electric Company, FERC Docket No. ER05-229-000.*** On November 17, 2004, Pacific Gas and Electric Company (PG&E) unilaterally submitted a Scheduling Coordinator Services (SCS) Tariff for Western. PG&E states that under this Tariff, PG&E seeks to collect from Western the costs PG&E or its designated Scheduling Coordinator incurs on behalf of Western by acting as Western's Scheduling Coordinator for two existing long term transmission contracts. PG&E requests an effective date of December 31, 2004.

Western filed comments and a protest arguing that its appearance in the proceeding is for the limited purposes of submitting a protest and comments. Western has no intention of accepting PG&E's offer of service or taking service under PG&E's SCS Tariff, and Western is not submitting to the Commission's jurisdiction. Nothing in Western's existing contracts with PG&E requires Western to take additional services to receive the benefits for which Western bargained. Nor do Western's existing contracts allow PG&E to charge Western for any additional services. PG&E has an obligation to deliver. Western has prepaid for those services and PG&E cannot charge Western any

additional charges. Western has prepaid PG&E for transmission service, and as part of the bargain, PG&E accepted any and all risks that a change associated with the costs would occur. Finally, Western cannot be legally bound by PG&E's SCS Tariff. No federal contracting officer has executed the SCS Tariff or approved the tariff submitted by PG&E.

On December 30, 2005, the Commission issued an order accepting the filing and setting the matter for evidentiary hearing. From January 1, 2005-March 8, 2005, the parties attempted to settle the matter. On March 9, 2005, the Settlement Judge terminated the settlement proceeding. As of December 2005, PG&E is actively litigating the case. Western has not intervened, but continues to monitor the case.

? ***San Diego Gas & Electric Company Investigation of Practices of the California Independent System Operator and California Power Exchange, California Electricity Oversight Board, et al., Docket Nos. EL00-95-000, et al.*** In the fall of 2000, the Commission began an investigation under Section 206 of the Federal Power Act into the dysfunctional California markets. The Commission has issued a series of orders addressing both price mitigation and potential refunds. The Commission eventually (June 19, 2001) ordered "hard" price caps in the California and WSCC spot markets. The Commission also made a finding that prices charged in the California markets were unjust and unreasonable. Important to Western was a Commission decision to assert jurisdiction over non-public utilities with regard to refunds.

FERC issued rehearing orders on December 19, 2001, largely upholding the earlier Commission orders in the case, including jurisdiction over non-public utilities. Hearings were first held in March 2002 to calculate the appropriate mitigated market clearing prices and scope of refunds. Subsequent hearings on Issues II and III ("who owes what to whom") were held in August 2002. The Presiding ALJ did preliminarily decide that Western's CRSP "exchange transactions" with the ISO are not subject to refund.

The Presiding ALJ issued his Initial Decision (ID) in December 2002. At approximately the same time, FERC responded to an order of the Ninth Circuit Court of Appeals in August 2002 that found that FERC had not developed an adequate record with respect to the extent of manipulation. FERC allowed an additional discovery period of 100 days. Western responded to over 140 data requests from the "California Parties" and organized a document repository at SNR. In March 2003, the Commission issued an order largely upholding the ID, but implementing Staff's recommendations related to gas prices, which had also been subject to manipulation during the refund period. Following the March 2003 Order, the Commission initiated proceedings to resolve outstanding issues relating to gas prices. These proceedings have continued and Western has worked in particular with the City of Redding regarding the filing of a Fuel Cost Allowance (FCA) claim on behalf of Redding. Notice of the FCA claim was filed with the Commission on April 1, 2005 and also submitted to the auditor, Ernst & Young, at that time. On August 30, 2005, Western submitted Redding's final FCA to the ISO.

In September 2004, the Ninth Circuit ruled against the Commission and found that the Commission did in fact have authority to order refunds for the time period prior to October 2, 2000, based on the theory that certain sellers with market-based rate authority had failed to file required reports of sales with the Commission. The Commission has not yet issued any orders in response to the Ninth Circuit opinion, which should have no impact on Western.

The ISO and PX have generally finished conducting “reruns” of the markets for the refund period in order to calculate refunds in accordance with the Commission’s current rulings and formulae in the case. In December 2003, SNR and Montrose began receiving the first sets of rerun data for review and possible dispute proceedings. Latest indications from the ISO show it may still be many months before completion, probably not until sometime in 2006. The Commission has attempted to speed up the process in response to Congressional direction in the 2005 Energy Policy Act. The Act calls on FERC to attempt to resolve these proceedings by the end of 2005 and to provide Congress a progress report at that time. On August 8, 2005, the Commission issued an order, in part to amend the procedural schedules, in order to meet these new time requirements. That order also set procedures for the submission of revenue shortfall filings. Western evaluated the potential of making cost filings, but under current Commission directives, found that it was not advantageous to do so. The August 8 Order also included provisions for entities to file “final” disputes regarding ISO and PX reruns. Western also evaluated that possibility, but did not file any further disputes.

On December 23, 2004, initial briefing also began in the Ninth Circuit regarding certain threshold issues and oral arguments were heard in mid-April 2005 on a number of issues including jurisdiction and the scope of transactions subject to refund. On September 6, 2005, the Ninth Circuit ruled that FERC did not have the authority under the Federal Power Act to order refunds from governmental sellers, such as Western, in these proceedings. The ruling is subject to appeal, either back to the Ninth Circuit or to the United States Supreme Court. Until such time as the ruling is final and FERC takes action in accordance with the ruling, Western may still need to participate in continued proceeding in order to preserve procedural rights.

On December 5, 2005, Western received claims (under the Contract Disputes Act or CDA) from the California Parties in the amount of \$24.3 million. This action is in response to the 9th Circuit’s rejection of FERC of jurisdiction over Western, BPA and other governmental sellers. Because of their setback at the 9th Circuit, the California Parties have turned to the filing of administrative contractual claims against Western, BPA (under the CDA) and the other governmental sellers (as administrative claims under California State law). The California Parties rely on a portion of the 9th Circuit’s opinion where the Court, while rejecting FERC’s authority to order refunds under the FPA, raises the possibility of contract based actions. The 9th Circuit cites to FERC and Federal court proceedings to support this possibility. Western is in the process of evaluating the claims.

# **Bonneville Power Administration**

# **Bonneville Power Administration**



## **Bonneville Power Administration**

### **Proposed Appropriations Language**

Expenditures from the Bonneville Power Administration Fund, established pursuant to Public Law 93-454, are approved for *the Lower Granite Dam fish trap, the Chief Joseph Dam Hatchery, the Kootenai River White Sturgeon Hatchery, the Nez Perce Tribal Hatchery, Redfish Lake Sockeye Captive Brood expansion, and, in addition, for* official reception and representation expenses in an amount not to exceed \$1,500.

During fiscal year [2006]2007, no new direct loan obligations may be made.

### **Explanation of Changes**

Proposed FY 2007 appropriation language authorizes construction of a new fishery facility as required by the Pacific Northwest Electric Power and Planning Act for new fish and wildlife facilities of \$1 million and an economic life greater than 15 years (PL 96-501, sec.4.(H)(10)(B)).

The proposed appropriations language restricts new direct loans in FY [2006]2007 as in FY [2005]2006.



# Bonneville Power Administration

## Overview

### Summary by Program

	FY 2005	FY 2006	FY 2007
Capital Investments			
Power Business Line . . . . .	116,007	210,000	201,000
Transmission Business Line . . . . .	141,721	200,689	251,541
Capital Equipment & Bond Premium . . . . .	12,579	26,461	24,252
Total, Capital Investments . . . . .	270,307	437,150	476,793
Accrued expenditures will require budget obligations of . . . .	270,307	437,150	476,793
Operating Expenses . . . . .	2,572,513	2,633,300	2,464,963
Projects Funded in Advance . . . . .	80,256	71,887	94,989
Capital Transfers (cash) . . . . .	657,983	436,783	877,573
BPA Net Outlays . . . . .	(155,000)	(80,000)	(480,000)
BPA Staffing (FTE) . . . . .	3,046	3,025	3,000

### Outyear Summary

	FY 2008	FY 2009	FY 2010	FY 2011
CAPITAL INVESTMENTS				
Power Business Line. . . . .	213,000	205,000	199,000	200,000
Transmission Business Line . . . . .	284,338	251,584	299,233	309,978
Capital Equipment & Bond Premium . . . . .	32,732	27,436	27,642	27,426
Total, Capital Investments . . . . .	530,070	484,020	525,875	537,404
Accrued expenditures will require budget obligations of . . . . .	530,070	484,020	525,875	537,404
Operating Expenses . . . . .	2,686,390	2,783,808	2,802,515	2,903,135
Projects Funded in Advance . . . . .	72,339	115,355	118,763	70,021
Capital Transfers (cash) . . . . .	467,051	453,723	459,049	461,962
BPA Net Outlays . . . . .	(115,000)	(170,000)	(80,000)	(80,000)
BPA Staffing (FTE) . . . . .	3,000	3,000	3,000	3,000

## Overview

### **The accompanying notes are an integral part of this table.**

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

Net Outlay estimates are based on current cost savings to date and anticipated cash management goals. They are expected to follow anticipated management decisions throughout the rate period that along with actual market conditions will impact revenues and expenses. Actual Net Outlays are volatile and are reported in SF-133. Estimated net outlay estimates could change due to changing market conditions, streamflow variability, and continuing restructuring of the electric industry.

Revenues, included in the Net Outlay formulation, are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools, including upcoming Cost Recovery Adjustment Clause (CRAC) adjustments, reduced cost estimates, a net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Some of these potential tools will reduce costs rather than generate revenue, however causing the same net outlay result. Adjustments for depreciation and 4(h)(10)(C) are also assumed.

Beginning in FY 2007, revenue estimates in this FY 2007 budget include an additional adjustment to reflect assumed increases in annual net secondary power revenues over \$500 million. The associated increases are \$169 million in FY 2007, \$105 million in FY 2008, \$160 million in FY 2009, and \$70 million in FYs 2010-2011.

BPA Bond Amortization/Capital Transfers in this FY 2007 budget reflect, beginning in FY 2007, advance amortization payments to the United States Treasury on BPA's bond obligations. The advance payments are dependent on an equivalent amount of assumed net secondary revenues over \$500 million and anticipated debt optimization refinancing of ENW obligations, consistent with both the President's budget and the sound business practices required under the Federal Columbia River Transmission System Act of 1974.

Amounts of such estimated payments to Treasury vary from associated net secondary revenues and debt optimization amounts due to timing of Treasury payments and other factors. Actual associated net secondary revenues and debt optimization effects could vary due to volatility of secondary power markets, streamflow variability, volatility of financial markets affecting ENW debt optimization, and other uncertainties.

FTE outyear data are estimates and may change.

BPA will promptly commence an expedited rate case to implement the policy of advance payments on Treasury bonds with net secondary revenues that exceed \$500 million annually.

## Preface

The strategic mission of Bonneville Power Administration (Bonneville or BPA) is to create and deliver the best value for its customers and constituents as it acts in concert with others to assure the Pacific Northwest:

- An adequate, efficient, economical and reliable power supply;
- A transmission system that is adequate to the task of integrating and transmitting power from Federal and non-Federal generating units, providing service to BPA's customers, providing interregional interconnections, and maintaining electrical reliability and stability; and
- Mitigation of the Federal Columbia River Power System (FCRPS) impacts on fish and wildlife.

BPA is committed to cost-based rates, open and non-discriminatory transmission access, and public and regional preference in its marketing of power. BPA will set its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the Federal investment in the system.

The organization of BPA's FY 2007 budget reflects Bonneville's business line basis for utility enterprise activities. Bonneville's two major areas of activity on a consolidated budget and accounting basis include Power and Transmission with administrative costs included. The Power Business Line (PBL) includes line items for Fish and Wildlife, Conservation and Energy Efficiency, Residential Exchange, Associated Projects O&M Costs, and Northwest Power and Conservation Council (Planning Council, Council).

This Overview describes Strategic Context, Mission, Benefits, Strategic Goals, and Funding by General Goal. The Annual Performance Results and Targets, Means and Strategies, and Validation and Verification sections address how the goals will be achieved and how performance will be measured. Finally, this Overview will address Program Assessment Rating Tool (PART) and Significant Program Shifts.

## Strategic Context

Following publication of the Administration's National Energy Policy, the Department of Energy (Department or DOE) developed a Strategic Plan that defines its mission, four strategic goals for accomplishing that mission, and seven general goals to support the strategic goals. Each program has developed quantifiable goals to support the general goals. Thus, the "goal cascade" is the following:

Department Mission – Strategic Goal (25 yrs) – General Goal (10-15 yrs) – Program Goal (GPRA Unit) (10-15 yrs)

To provide a concrete link between budget, performance, and reporting, the Department developed a "GPRA unit" concept. Within DOE, a GPRA unit defines a major activity or group of activities that support the core mission and aligns resources with specific goals. Each GPRA unit has completed or will complete a PART. A unique program goal was developed for each GPRA unit. A numbering scheme has been established for tracking performance and reporting.

The goal cascade accomplishes two things. First, it ties major activities for each program to successive goals and, ultimately, to DOE's mission. This helps ensure the Department focuses its resources on fulfilling its mission. Second, the cascade allows DOE to track progress against quantifiable goals and

to tie resources to each goal at any level in the cascade. Thus, the cascade facilitates the integration of budget and performance information in support of the GPRA and the President's Management Agenda (PMA).

## **Mission**

The strategic mission of Bonneville is to create and deliver the best value for its customers and constituents as it acts in concert with others to assure the Pacific Northwest:

- An adequate, efficient, economical and reliable power supply;
- A transmission system that is adequate to the task of integrating and transmitting power from Federal and non-Federal generating units, providing service to BPA's customers, providing interregional interconnections, and maintaining electrical reliability and stability; and
- Mitigation of the FCRPS impacts on fish and wildlife.

BPA is committed to cost-based rates, open and non-discriminatory transmission access, and public and regional preference in its marketing of power. BPA will set its rates as low as possible consistent with sound business principles and the full recovery of all of its costs, including timely repayment of the Federal investment in the system.

## **Benefits**

Bonneville provides electric power (about 40 percent of the electricity consumed in the region), transmission (more than three-fourths of the region's high voltage transmission capacity), and energy efficiency throughout the Pacific Northwest, a 300,000 square mile service area. Bonneville markets the electric power produced from 31 operating Federal hydro projects in the Pacific Northwest owned by the U.S. Corps of Engineers (Corps) and the U.S. Department of Interior, Bureau of Reclamation (Reclamation), and also acquires non-Federal power, including the power from the Columbia Generating Station, to meet the needs of its customer utilities. Bonneville owns and operates over 15,000 circuit miles of lines, 284 substations and associated power system control and communications facilities over which this electric power is delivered. Bonneville also supports the protection and enhancement of fish and wildlife, and provides leadership in conservation and renewables development, as part of its efforts to preserve and balance the economic and environmental benefits of the FCRPS.

Bonneville's strategic direction establishes the agency's most important long-term objectives and the actions that will help it manage to these objectives. The strategic direction calls on BPA to advance the Pacific Northwest's future leadership in four core values- high reliability, low rates consistent with sound business principles, responsible environmental stewardship, and clear accountability.

## **Strategic, General, and Program Goals**

The Department's Strategic Plan identifies four strategic goals (one each for defense, energy, science, and environmental aspects of the mission plus seven general goals that tie to the strategic goals). The Bonneville program supports the following goal:

Energy Strategic Goal: To protect our national and economic security by promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy.

General Goal 4, Energy Security: Improve energy security by developing technologies that foster a diverse supply of reliable, affordable and environmentally sound energy by providing for reliable delivery of energy, guarding against energy emergencies, exploring advanced technologies that make a fundamental improvement in our mix of energy options, and improving energy efficiency.

Bonneville's Program Goal contributes to the General Goals in the "goal cascade." This goal is Market and Deliver Federal Power:

Program Goal 04.54.00.00: Bonneville Power Administration. Market and Deliver Federal Power: Ensure Federal hydropower is marketed and delivered while passing the North American Electric Reliability Council's Control Compliance Ratings, meeting planned repayment targets, and achieving a recordable accident frequency rate at or below our safety performance standard.

#### **Contribution to General Goal 4**

Bonneville contributes to this goal through its strategic vision that emphasizes the basic core values of reliability, low rates consistent with sound business principles, environmental stewardship, and accountability to the region. BPA has renewed its emphasis on performance and has adopted 24 agencywide objectives that are key to achieving its mission. These objectives, aligned using the balanced scorecard model, are focused on stakeholder value, financial performance, internal operations, and people and culture.

Bonneville's strategic direction has helped to identify a number of key long-term issues. These issues center on providing Bonneville customers certainty over load service obligations and enabling customers and the market to respond with the necessary electric industry infrastructure investments. Other key strategic interests include general market stability, BPA risk management, and long-term assurance of funding to repay the U.S. Treasury (Treasury) investment in infrastructure. Bonneville is now addressing these key issues as part of the second phase of the Regional Dialogue.

## Funding by General and Program Goal

	FY 2005	FY 2006	FY 2007
General Goal 4, Energy Security			
Program Goal 04.54.00.00			
Bonneville Power Administration			
Capital Investments			
Power Business Line . . . . .	116,007	210,000	201,000
Transmission Business Line . . . . .	141,721	200,689	251,541
Capital Equipment & Bond Premium	12,579	26,461	24,252
Total Capital Investments . . . . .	270,307	437,150	476,793
Accrued expenditures will require budget obligations of . . . . .	270,307	437,150	476,793
Operating Expenses . . . . .	2,572,513	2,633,300	2,464,963
Projects Funded in Advance . . . . .	80,256	71,887	94,989
Capital Transfers (cash) . . . . .	657,983	436,783	877,573
Net Outlays . . . . .	(155,000)	(80,000)	(480,000)
BPA Staffing (FTE) . . . . .	3,046	3,025	3,000

## Outyear Funding by General and Program Goal

(accrued expenditures in thousands of dollars)				
	FY 2008	FY 2009	FY 2010	FY 2011
General Goal 4, Energy Security				
Program Goal 04.54.00.00				
Bonneville Power Administration				
Capital Investments				
Power Business Line . . . . .	213,000	205,000	199,000	200,000
Transmission Business Line . . . . .	284,338	251,584	299,233	309,978
Capital Equipment & Bond Premium	32,732	27,436	27,642	27,426
Total Capital Investments . . . . .	530,070	484,020	525,875	537,404
Accrued expenditures will require budget obligations of . . . . .	530,070	484,020	525,875	537,404



	(accrued expenditures in thousands of dollars)							
	FY	2008	FY	2009	FY	2010	FY	2011
Operating Expenses . . . . .		2,686,390		2,783,808		2,802,515		2,903,135
Projects Funded in Advance . . . . .		72,339		115,355		118,763		70,021
Capital Transfers (cash) . . . . .		72,339		115,355		118,763		70,021
Net Outlays . . . . .		(115,000)		(170,000)		(80,000)		(80,000)
BPA Staffing (FTE) . . . . .		3,000		3,000		3,000		3,000

## Funding by General and Program Goal

### Notes:

Net Outlay estimates are based on current cost savings to date and anticipated cash management goals. They are expected to follow anticipated management decisions throughout the rate period that along with actual market conditions will impact revenues and expenses. Actual Net Outlays are volatile and are reported in SF-133. Estimated net outlay estimates could change due to changing market conditions, streamflow variability, and continuing restructuring of the electric industry.

Revenues, included in the Net Outlay formulation, are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools, including upcoming Cost Recovery Adjustment Clause (CRAC) adjustments, reduced cost estimates, a net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Some of these potential tools will reduce costs rather than generate revenue, however causing the same net outlay result. Adjustments for depreciation and 4(h)(10)(C) are also assumed.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

FTE outyear data are estimates and may change.

## Annual Performance Results and Targets

FY 2002 Results	FY 2003 Results	FY 2004 Results	FY 2005 Results	FY 2006 Targets	FY 2007 Targets
General Goal 4, Energy Security					
Transmission System Reliability	Met Goal Actual: CPS1: 198.0% CPS2: 93.6%	Met Goal Actual: CPS1: 198.5% CPS2: 94.3%	Met Goal Actual: CPS1: 196.6% CPS2: 93.9%	Attain average NERC compliance ratings for the following NERC Control Performance Standards (CPS) measuring the balance between power generation and load, including support for system frequency: (1) CPS-1, which measures generation/load balance on one-minute intervals (rating >=100); and (2) CPS-2, which limits any imbalance magnitude to acceptable levels (rating >=90).	Attain average NERC compliance ratings for the following NERC Control Performance Standards (CPS) measuring the balance between power generation and load, including support for system frequency: (1) CPS-1, which measures generation/load balance on one-minute intervals (rating >=100); and (2) CPS-2, which limits any imbalance magnitude to acceptable levels (rating >=90).
Actual: CPS1: 197.5% CPS2: 96.8%					
Repayment of Federal Power Investment: Met Goal (\$239 million)	Met Goal (\$216 million) Actual: \$544 million	Met Goal (\$246 million) Actual: \$592 million	Met Goal (\$303 million) Actual: \$618 million	Meet planned annual repayment of principal on Federal power investments.	Meet planned annual repayment of principal on Federal power investments.
Actual: \$505 million					
Hydropower Generation Efficiency					
			Hydropower Generation Efficiency Performance: Met Goal (97%) Actual: 100% (EOY)	Hydropower Generation Efficiency Performance: Achieve 97.5% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation.	Hydropower Generation Efficiency Performance: Achieve 97.5% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation.
Recordable Accident Frequency Rate: Met Goal	Met Goal Actual: 2.6 recordable accidents per 200,000 hours worked	Met Goal Actual: 3.2* recordable accidents per 200,000 hours worked	Met Goal Actual: 2.5 recordable accidents per 200,000 hours worked	Achieve a frequency rate of no more than 3.3 recordable accidents per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower.	Achieve a frequency rate of no more than 2.7 recordable accidents per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower. The Department has determined a BPA stretch goal in FY 2007 of 2.7 recordable accidents per 200,000 hours worked.
Actual: 1.7 recordable accidents per 200,000 hours worked					

\* FY 2004 RAFR actual updated from 2.3 to 3.2 to reflect final annual RAFR results in FY 2004.

## Annual Outyear Performance Results and Targets

FY 2008 Targets	FY 2009 Targets	FY 2010 Targets	FY 2011 Targets
General Goal 4, Energy Security			
Transmission System Reliability Performance: Attain average NERC compliance ratings for the NERC CPS measuring the balance between power generation and load, including support for system frequency.	Attain average NERC compliance ratings for the NERC CPS measuring the balance between power generation and load, including support for system frequency.	Attain average NERC compliance ratings for the NERC CPS measuring the balance between power generation and load, including support for system frequency.	Attain average NERC compliance ratings for the NERC CPS measuring the balance between power generation and load, including support for system frequency.
Repayment of Federal Power Investment: Meet planned annual repayment of principal on Federal power investments.	Meet planned annual repayment of principal on Federal power investments.	Meet planned annual repayment of principal on Federal power investments.	Meet planned annual repayment of principal on Federal power investments.
Hydropower Generation Efficiency Performance: Achieve 97.5% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation.	Achieve 97.5% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation.	Achieve 97.5% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation.	Achieve 98% Heavy-Load-Hour Availability (HLHA) through efficient performance of Federal hydro-system processes and assets, including joint efforts of BPA, Army Corps of Engineers, and Bureau of Reclamation.
Recordable Accident Frequency Rate: Achieve a frequency rate of no more than 2.7 recordable accidents per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower.	Achieve a frequency rate of no more than 2.7 recordable accidents per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower.	Achieve a frequency rate of no more than 2.7 recordable accidents per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower.	Achieve a frequency rate of no more than 2.7 recordable accidents per 200,000 hours worked or the Bureau of Labor and Statistics' industry rate, whichever is lower.

The performance indicators above have been modified in consideration of the BPA section of the 2004 DOE Program Plan. BPA is continuing to assess target measures that achieve the best alignment with its strategic objectives.

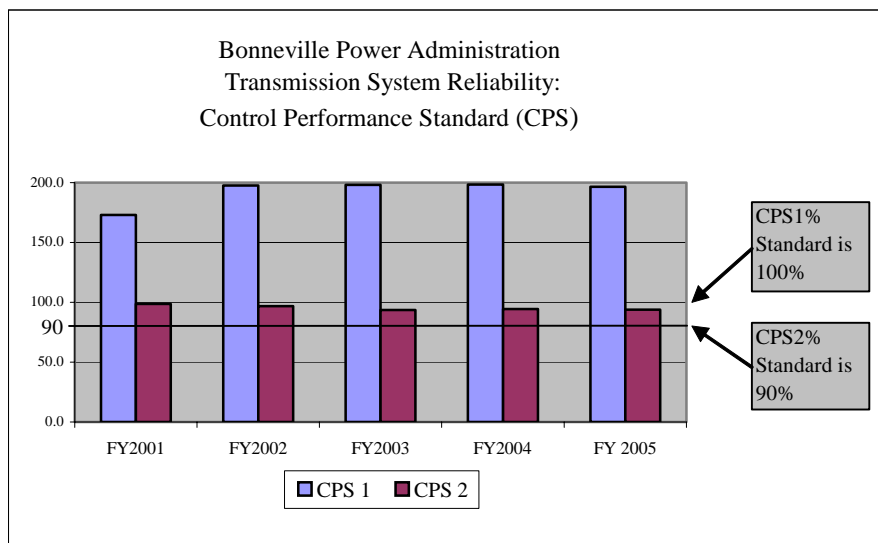
The Hydropower Generation Efficiency Performance Target is included in this FY 2007 budget as a performance measure starting in FY 2005. Historical data for this measure includes FY 2001 Goal 97%, Actual 97%; FY 2002 Goal 100%, Actual 98%; FY 2003 Goal 100%, Actual 98%; FY 2004 Goal 97%, Actual 97%, Actual 100%.

## Transmission System Reliability Performance Indicator

This indicator defines a standard of minimum monthly control performance as established by the North American Electric Reliability Council (NERC). Each control area within the system is to operate above minimum monthly control compliance ratings that can be achieved within the bounds of reasonable economic and physical limitations. Each control area is to monitor its control performance continuously against two standards, Control Performance Standard (CPS) 1 and 2.

The CPS-1 and CPS-2 performance indicators are industry standards that U.S. and Canadian electric utilities use in conjunction with NERC to help assure the reliability of the North American high voltage distribution system, and thereby to benefit the public. These measures are intended to indicate whether or not electric utility systems are being operated within acceptable operating parameters. Any deviation from the minimum standards must be reported to NERC. CPS-1 helps assure generation and load balance. CPS-2 helps limit the magnitude of any imbalance to acceptable levels, and provides a frequency sensitive evaluation of how well a control area meets its demand requirements.

Transmission System Reliability Target in FY 2007: Attain average NERC compliance ratings for the following NERC CPS measuring the balance between power generation and load, including support for system frequency: (1) CPS-1, which measures generation/load balance on one-minute intervals (rating  $\geq 100$ ); and (2) CPS-2, which limits any imbalance magnitude to acceptable levels (rating  $\geq 90$ ).



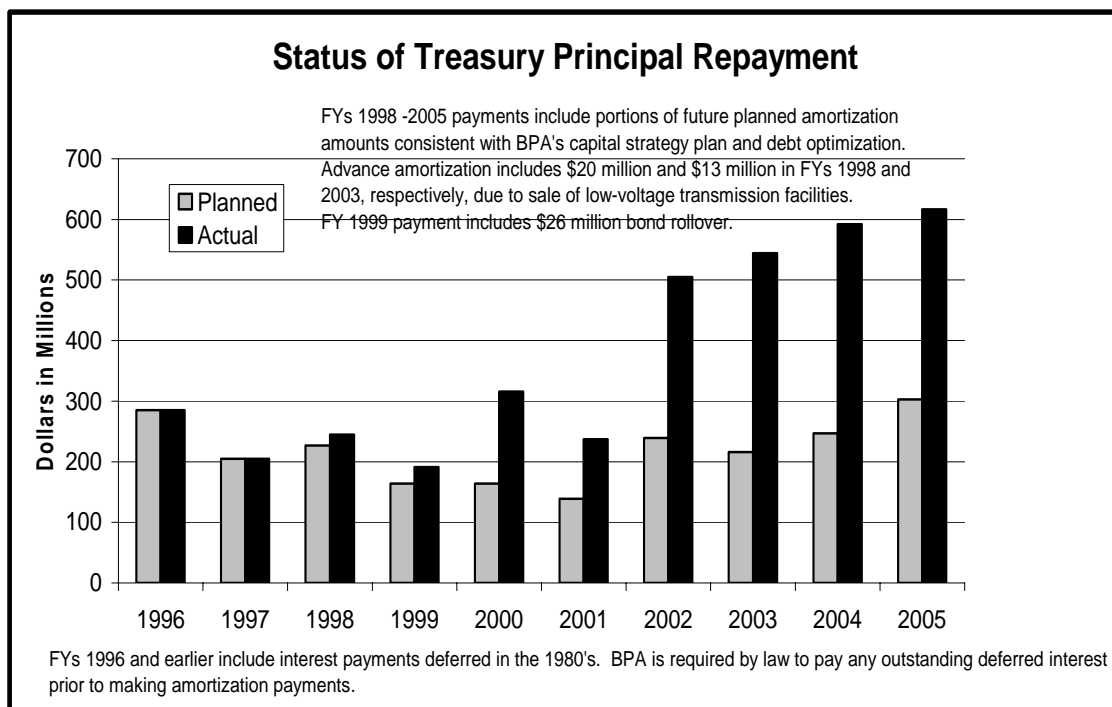
## Repayment of Federal Power Investment Performance Indicator

This indicator measures the variance of actual from planned principal payments to the Treasury.

Treasury payment outyear estimates for planned amortization or principal are based on rate case estimates when available and planned amortization for future rate case periods. These estimates may change due to revised capital investment plans, actual Treasury borrowing, and advanced amortization payments. In recent years, BPA has made amortization payments in excess of those scheduled in its Federal Energy Regulatory Commission (FERC)-approved rate filings, resulting in a balance of advance repayment. Bonneville made its full planned FY 2005 payment of \$1,088 million to the Treasury, including \$313 million in advanced amortization.

Repayment target in 2007 – Meet planned repayment of principal on Federal power investments in FY 2007.

The following chart displays principal repayment only.



## Hydropower Generation Efficiency Performance Indicator

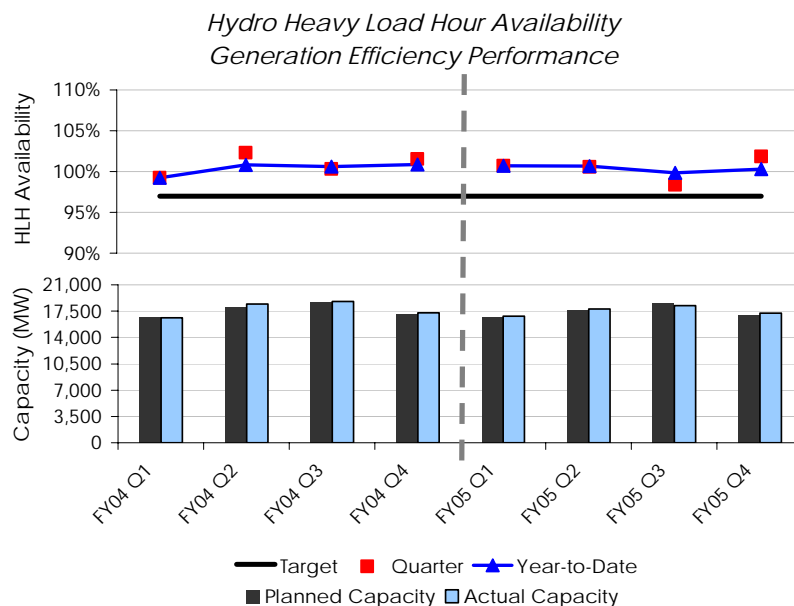
The fundamental programmatic role of Bonneville within the FCRPS is the marketing of electricity generated at the multi-purpose hydro projects in the Pacific Northwest owned and operated by the Army Corps of Engineers and Bureau of Reclamation. Heavy Load Hour Availability (HLHA) concerns the actual effective performance of the hydro system, reflecting joint work between BPA, the Corps, and Reclamation to improve performance of these

generating projects when they are needed most for commercial power operation. It is important from a reliability and economic standpoint to have power generation available when loads are high.

HLHA is the ratio of actual available machine capacity during heavy load hours, divided by planned available capacity during heavy load hours, expressed as a percent.

Actual available machine capacity is measured directly from data supplied from the hydro plants. Planned available capacity is established annually through the Annual Outage planning process, then updated quarterly based on changes in load and water forecasts. The resulting outage plans are stored in BPA's Outage Database.

Hydropower Generation Efficiency target: Achieve actual efficiency results at or above planned availability target levels for hydropower generation efficiency.



As represented above, in 2005 the FCRPS hydro performance tracked closely to the HLH targets, meeting the targets in all four quarters.

### **Recordable Accident Frequency Rate (RAFR) Performance Indicator**

This indicator measures BPA's safety performance. BPA's Recordable Accident Frequency Rate (RAFR) is based on recordable injuries and illnesses per 200,000 hours worked.

Performance is measured against either a 2.7 RAFR set by BPA, or, the Department of Labor the Department of Labor Bureau of Labor and Statistics (BLS) national average recordable accident frequency rate, whichever is lower. The BLS rate is based on data collected by BLS from organizations representing the private sector in the generation, transmission, and distribution of electric energy. The 2004 BLS national average recordable accident frequency

rate was 4.5 accidents per 200,000 hours worked (for transmission, distribution, and generation) (2005 data is not yet available). BPA's RAFR in FY 2005 was 2.5.

BPA's target for FY 2007 is to achieve a frequency rate of no more than 2.7 recordable accidents per 200,000 hours worked, or, the Bureau of Labor and Statistics' industry rate, whichever is lower. The Department has determined a BPA stretch goal in FY 2007 of 2.7 recordable accidents per 200,000 hours worked.

### **Means and Strategies**

Bonneville provides electric power, transmission, and energy services while supporting the achievement of its vital responsibilities for fish and wildlife, energy conservation, renewable resources, and low-cost power in the Pacific Northwest.

BPA's strategic direction and balance scorecard establish a key objective of meeting electricity availability, adequacy, reliability, and cost-effectiveness standards through performance and expansion of the transmission system. The strategic direction and balance scorecard efforts include a long-term vision of Bonneville's future and an assessment of critical environment factors and key objectives. The vision and assessment help direct Bonneville activities needed to meet its mission over the long-term. The objectives are supported by multi-year targets to lay out the long-term course for achieving the objectives.

To improve system adequacy, reliability and availability, BPA has embarked on major transmission infrastructure projects. The projects shore up the region's transmission system and help meet the region's future power needs. These projects address multiple challenges, such as the need to relieve the growing number of congested transmission paths, the pressure to keep up with growing energy demands, and the need to meet FERC's open access policy in support of competitive markets.

For 2007 BPA's total capital budget includes \$252 million for transmission (main grid additions, upgrades and additions, system replacements, area and customer services, and projects funded in advance), from which a set of critical transmission infrastructure projects will be selected. These investments - repaid entirely by revenues from BPA's customers or benefiting third parties - are foundational to BPA's transmission performance.

As part of BPA's strategic direction, Bonneville is also working to improve efficiencies and initiate further cost reductions. Bonneville coordinates its power operational activities with the Corps, the Reclamation, the NERC, regional electric reliability councils, its customers, and other stakeholders to provide the most efficient use of Federal assets. Ongoing work with the Corps and Reclamation is focused on improving the reliability of the FCRPS, increasing its generation efficiency and optimization of hydro facility operation.

In addition, Bonneville is committed to continue funding its share of the region's efforts to recover fish and wildlife species in the Columbia Basin under the Endangered Species Act (ESA). BPA works closely with the Council, regional fisheries managers, the U.S. Fish and Wildlife Service (USFWS), the Corps and Reclamation, as well as other Federal agencies to prioritize and manage fish and wildlife program projects.

Bonneville initiatives are impacted by external factors such as continually changing economic and institutional conditions in the electric utility industry, competitive dynamics, and the continued restructuring of the electric industry.

Private and public sector partners have been and continue to be an important part of BPA's collaborative efforts to promote and foster efficient use of energy. BPA has initiated efforts to explore non-Federal financial participation in its transmission infrastructure projects with transmission customers and others in the region. In addition, BPA's Conservation Augmentation and other programs offer several ways for customers to participate in regional conservation.

Additional activities and products contributing to BPA's long-term achievement of its mission include the Regional Dialogue, development of an enhanced capital asset management plan, a workforce plan that addresses the long-term staffing needs of the agency, and continuing efforts to increase operational efficiencies. Also, a separate Innovative Technology office was established in June 2005 to lead the long-term development and management of a BPA strategy for research, development, demonstration and deployment of new technology by BPA. BPA is also working to incorporate the numerous aspects of the new Energy Policy Act of 2005 related to its business, in particular transmission reliability, energy supply, conservation, and new energy technologies for the future.

### **Validation and Verification**

To validate and verify program performance, Bonneville conducts various internal and external reviews and audits. Bonneville's programmatic activities are subject to review by Congress, the General Accountability Office (GAO), the Department's Inspector General, and other governmental entities. Bonneville accounts are reviewed annually by an independent outside auditor. In addition, BPA uses Institute of Electrical and Electronics Engineers standard measures to monitor and evaluate system reliability performance, and participates yearly in an independent reliability benchmarking study.

### **Program Assessment Rating Tool (PART)**

The DOE implemented a tool to evaluate selected programs. PART was developed by the Office of Management and Budget (OMB) to provide a standardized way to assess the effectiveness of the Federal government's portfolio of programs. The structured framework of the PART provides a means through which programs can assess their activities differently than through traditional reviews.

The current focus is to establish outcome- and output-oriented goals, the successful completion of which will lead to benefits to the public, such as increased national security and energy security, and improved environmental conditions. BPA has incorporated feedback from OMB into the FY 2007 budget submission, and will take the necessary steps to continue to improve performance.



In the 2004 PART review by OMB, Bonneville received high scores of 89 and 100 in the Planning and Management sections. These high scores reflect Bonneville's strong program management system and internal and external program and management reviews. Bonneville's somewhat lower scores in the Purpose and Results sections were attributed in part to its rate setting processes and the need for improved performance measures. Enactment of the BPA rate with the Safety Net Cost Recovery Adjustment is an example of how BPA is working to continuously improve its rates processes and utilize rate setting as a tool to protect the taxpayer's investment in the FCRPS. This rate adjustment helped BPA establish its rates with a Treasury payment probability at a targeted 80 percent for the FY 2004-2006 period. Additionally, BPA's FY 2005 Treasury payment marks the 22nd year that BPA has made its payment on time and in full.

Regarding PART feedback on performance measurement, BPA has re-examined its overall strategic vision and associated performance measures, enhancing the linkage between its financial performance and strategy. BPA's long-term agency objectives are presented through a strategy map that expresses a direct link of overall agency direction to the objectives and targets of internal organizations. Managers' performance contracts also relate directly to organization and agency targets. In addition, BPA is continuing to utilize industry benchmarking practice associated with performance where feasible and is continuing to develop associated efficiency measures and targets, both short-term and long-term.

With respect to the marketing and cost recovery findings, BPA continues to implement recommendations from its internal Lessons Learned Report to the Administrator, as well as a similar BPA Report to the Region that assessed BPA's recent financial challenges and included recommendations that assure cost recovery and added efficiency. Additionally, BPA is improving its management of capital project costs and capital investment assessments while helping to assure long-term availability of needed capital funds. BPA has also initiated a multi-year, agencywide efficiency drive—the Enterprise Process Improvement Program (EPIP). The EPIP has already led to consolidation and centralization of some agency functions, elimination of redundancies and establishment of consistent processes.

### **Significant Policy or Program Shifts**

This section provides an introduction to Bonneville operations and statutory authorities followed by a description of significant Bonneville program shifts.

Bonneville is the DOE's electric Power Marketing Administration for the FCRPS. Bonneville provides electric power, transmission, and energy efficiency throughout the Pacific Northwest. Created in 1937 to market and transmit the power produced by the Bonneville Dam on the Columbia River, Congress has since directed Bonneville to sell at wholesale the electrical power produced from 31 operating Federal hydro projects and to acquire non-Federal power and conservation resources sufficient to meet the needs of Bonneville's customer utilities. Bonneville also owns and operates over 15,000 miles of high-voltage transmission lines, transmitting power from the dams and other sources on an open-access non-discriminatory basis. Bonneville serves a 300,000 square mile area including Oregon, Washington, Idaho, Western Montana, and parts of Northern California, Nevada, Utah, and Wyoming.

The Bonneville Project Act of 1937 provided the foundation for Bonneville's statutory utility responsibilities and authorities. In 1974, passage of the Federal Columbia River Transmission System Act (Transmission System Act) placed Bonneville under provisions of the Government Corporation Control Act (31 U.S.C. 9101-9110). The legislation provided Bonneville with "self-financing" authority and established the Bonneville Fund, a revolving fund, allowing Bonneville to use its revenues from electric power and transmission ratepayers to directly fund all programs and to sell bonds to the Treasury to finance the region's high-voltage electric transmission system requirements. In 1980, enactment of the Pacific Northwest Electric Power Planning and Conservation Act (Northwest Power Act) expanded Bonneville's utility obligations and responsibilities to encourage electric energy conservation; develop renewable energy resources; and protect, mitigate and enhance the fish and wildlife of the Columbia River and its tributaries. In support of these responsibilities, Bonneville's Treasury borrowing authority was expanded to allow the sale of bonds to finance conservation and other resources and to carry out fish and wildlife capital improvements. The Northwest Power Act also required regional energy plans and programs and created the Pacific Northwest Electric Power and Conservation Planning Council, now commonly called the Northwest Power and Conservation Council.

Bonneville's program is treated as mandatory and nondiscretionary. As such, Bonneville is "self-financed" by the ratepayers of the Pacific Northwest and receives no annual appropriations from Congress. Under the Transmission System Act, Bonneville funds the expense portion of its budget and repays the Federal investment with revenues from electric power and transmission rates. Bonneville's revenues fluctuate primarily in response to market prices for fuels and stream flow variations in the Columbia River System due to weather conditions and fish recovery needs. Bonneville's permanent, indefinite statutory borrowing authority authorizes the agency to sell bonds to the Treasury up to a cumulative outstanding total of \$4.45 billion. Through FY 2005, Bonneville has returned approximately \$21.6 billion to the Treasury for payment of FCRPS O&M and other costs (about \$2.9 billion), interest (about \$11.4 billion), and amortization (about \$7.3 billion) of appropriations and bonds. Bonneville made its full planned FY 2005 payment of \$1,088 million to the Treasury, including \$313 million in advanced amortization. Total FY 2005 credits applied for fish mitigation were about \$45 million. For FY 2006, Bonneville plans to pay the Treasury \$874 million: \$436 million to repay investment principal, \$415 million for interest, \$23 million for pension and post-retirement benefits. The FY 2007 Treasury payment is currently estimated at \$1,329 million. FY 2006 and FY 2007 4(h)(10)(C) credits associated with fish recovery are estimated at \$89 million and \$79 million, respectively.

This FY 2007 budget provides that an amount equivalent to increased net secondary market revenues in excess of \$500 million per year are assumed, beginning in FY 2007, to be used to make advance amortization payments to the Treasury on BPA's bond obligations, consistent with both the President's Budget and the sound business practices required under the Federal Columbia River Transmission System Act of 1974. It is the Administration's position that it is sound business practice to use higher-than-historical net secondary revenues to invest back into energy infrastructure and to pay down debt. These advance amortization payments to Treasury will be made consistent with statutory priority of payment requirements. The Administration believes this action will help to provide BPA with needed financial flexibility to meet its future energy investment needs, including critical transmission capacity, and that long-term power

and transmission service customers of BPA should benefit from these advance amortization payments both through lower long-term rates than would otherwise be the case and through improved and upgraded capital facilities. The budget reflects a total of \$924 million from FY 2007 through FY 2016 from these higher-than-historical net secondary revenues.

Additionally, this FY 2007 budget assumes that Energy Northwest (ENW) will refinance a portion of its debt in calendar years 2006 and 2007, and that the effects of the anticipated debt optimization refinancing are recognized in FYs 2006 and 2007. The additional cash freed up from these future refinancings (estimated to be \$70 million in FY 2006 and \$312 million in 2007) will be used to pay down BPA Federal bond debt.

The combined total of both of these deficit-reducing proposals will be to allow an additional \$1.3 billion in existing Treasury borrowing authority to become available for BPA. See the BPA Treasury Payments Table for additional detail.

The Administration believes proper budget reporting of Federal debt and debt-like transactions is essential to improving the financial transparency and performance of the Federal government. It proposed legislation in June 2005 that would count certain new non-traditional financing transactions, entered into after the date the legislation is enacted and that are similar to debt-like transactions, toward BPA's Treasury borrowing limit. The Administration supports private-public partnerships and believes that liabilities that the U.S. Government incurs as a result of such partnerships should be properly reflected from a budgeting standpoint. The legislation also includes a correlative \$200 million increase in BPA's Treasury borrowing authority cap in FY 2009. The Administration will continue to evaluate the appropriate BPA borrowing authority level and will propose any changes in that limit on borrowing authority in future years that are necessary and prudent to ensure that BPA is able to meet its long-term capital investment needs.

Estimates of interest levels for outyear Treasury payments are based on preliminary power and filed transmission rate case estimates. Amortization estimates are based on existing rate case plans and estimated amortization for future rate case periods, and is adjusted to reflect, beginning in FY 2007, advance amortization payments dependent on an equivalent amount of assumed net secondary revenues over \$500 million and anticipated debt optimization refinancing of ENW obligations, consistent with the President's budget. These estimates may change due to revised capital investment plans, actual Treasury borrowing, and other variables that may affect the opportunity for advanced amortization payments. In recent years, BPA has made amortization payments in excess of those scheduled in its FERC-approved rate filings resulting in a balance of advance repayment. The cumulative amount of advance amortization payments as of the end of FY 2005 is about \$1,460 million.

Starting in FY 1997, Bonneville began direct funding the Reclamation's Pacific Northwest power O&M costs and in FY 1999 began direct funding Corps Pacific Northwest power O&M costs. Bonneville began direct funding the USFWS in FY 2001 to pay for O&M costs of the Lower Snake River Compensation Plan facilities. Bonneville's direct funding arrangement includes a portion of power O&M capital investments, and Bonneville also plans to direct fund Reclamation hydropower research expenses of benefit to the FCRPS. Direct funded capital

costs, previously funded through appropriations, are now being paid through BPA borrowing from the Treasury. BPA's total O&M direct funding was \$216 million in FY 2005.

This FY 2007 budget proposes Bonneville accrued expenditures of \$2,464 million for operating expenses, \$95 million for Projects Funded in Advance, \$477 million for capital investments, and \$878 million for capital transfers including advance amortization in FY 2007. The budget has been prepared on the basis of Bonneville's major areas of activity, power and transmission. This business structure arose as a response to the 1992 Energy Policy Act and ensuing FERC Orders 888 and 889 requiring separation of utilities' power and transmission functions. As a Federal agency, Bonneville is not subject to FERC's jurisdiction (except for the new requirements of the Energy Policy Act of 2005) but chooses to voluntarily comply with FERC open-access policy. Further, Bonneville supports DOE's October 1995 "Power Marketing Administration Open Access Policy which states the Power Marketing Administrations' commitment to offer transmission services to eligible entities in a manner comparable to the services offered by FERC-jurisdictional transmission providers to the extent not otherwise inconsistent with Federal law.

Spending levels in this budget are still subject to change to accommodate competitive dynamics in the region's energy markets, debt optimization strategies, and the continued restructuring of the electric industry.

- Bonneville's FY 2007 budget reflects the significant financial and business events that have shaped Bonneville's response to the physical and competitive pressures of the region's electricity situation. BPA is striving to enhance its competitive, cost-effective delivery of utility products and services and continued delivery of the public benefits of its operations, while ensuring its ability to make its payments to the Treasury on time and in full. BPA underwent a comprehensive strategic planning process using the balance scorecard model to align all business units around specific goals and align resources to achieve these goals. In support of strengthening its strategic alignment, BPA is also seeking to achieve operational efficiencies through a stronger overall agency perspective while still complying with the FERC Standards of Conduct. Additionally, BPA continues to incorporate PART feedback from OMB in the areas of planning, performance measurement, results and marketing. From these efforts results include continued efficiency gains, performance integration improvements, and a high assurance for repayment of Treasury borrowing.
- The past several years have been particularly challenging for BPA. Drought and the resulting poor hydrological conditions contributed to a significant decline in expected revenues and high market prices for power purchases required to meet load obligations significantly increased costs. Six years of below average hydrological conditions have put pressure on BPA's financial condition. BPA's priority has been to restore its financial health and look toward a stronger financial future. Aggressive cost reductions, debt optimization efforts, cost recovery rate adjustments, and improved market conditions have all contributed to help stabilize Bonneville's finances and to hold down rates for the third consecutive year. BPA is continuing its efforts to assure full recovery of its costs and to assure long-term financial stability while meeting its overall responsibilities to the Pacific Northwest and the U.S. taxpayer.

- When BPA set power rates for the FY 2002-2006 rate period, it incorporated a series of cost recovery adjustment clauses (s) into its rates structure to provide flexibility to make adjustments as needed to deal with costs or financial situations not anticipated when setting the base rate. Since then, BPA has instituted several actions to reduce costs, thereby keeping power rates as low as possible over the rate period. Through its significant cost reductions and deferrals since the beginning of FY 2003, coupled with the implementation of the cost recovery rate adjustments, Bonneville has retained a high probability of making its Treasury payment throughout the remainder of the current rate period (FY 2006). BPA is proposing to continue this approach with proposed adjustable power rates for the upcoming FY 2007-2009 rate period.
- In preparation for setting power rates for the upcoming rate period, BPA conducted a Power Function Review (PFR), a public process that gave the region the opportunity to examine and provide input on the cost projections that formed the basis for BPA's Initial Rate Proposal. The PFR helped BPA identify reductions in projected costs totaling \$96 million a year for the FY 2007-2009 period. Further cost reductions are being explored although these could be offset by potential costs of additional court-ordered operations for fish mitigation purposes. Following the PFR, BPA published an initial rate proposal in the Federal Register in November 2005 and expects to release a final Record of Decision in July 2006.
- BPA is engaging its customers, constituents and employees in discussions on the agency's power supply role through the Regional Dialogue public process. The Regional Dialogue is representing many of the policies guiding BPA's long-term strategic direction. In 2005 BPA completed a short-term Regional Dialogue addressing power sales contract issues pertinent through 2011. As part of this dialogue, BPA developed policies on service to direct-service industries and on conservation and renewables. BPA also initiated a long-term Regional Dialogue on its power supply role beyond 2011, when most of its current power sales contracts expire. This process is designed to create more certainty for the region that should lead to more investment in electric system infrastructure.
- In anticipation of establishing transmission rates for the FY 2006-2007 period, BPA initiated Programs in Review (PIR), a public process with customers, constituents and others designed to share proposed transmission program funding levels. Results from the PIR process served as the basis for development of costs in BPA's final 2006-2007 transmission rate proposal and Record of Decision issued in June 2005. The Record of Decision finalizes a rate increase of an average 12.5 percent for the FY 2006-2007 rate period. The increase is driven primarily by a significant drop in TBL's revenue expectations combined with increased costs associated with completion of major infrastructure projects to improve system reliability. The transmission rates were approved by FERC in September 2005.
- Bonneville is continuing efforts to help meet the region's long-term power and transmission infrastructure needs. Bonneville is planning infrastructure investments in the Pacific Northwest to meet Northwest transmission needs that will also continue to support a competitive wholesale market in the Western Interconnection that encompasses 15

western States, two Canadian provinces and two Mexican States. These efforts will help provide energy independence and a buffer against escalating fossil fuel prices. One of BPA's recently completed infrastructure projects, the 84-mile Grand Coulee-Bell 500-kilovolt line, is its largest transmission project in two decades and one of the largest in the nation. BPA continues to target transmission investments in those areas with high congestion and with the highest need for additional capacity.

- Bonneville has identified a number of actions that it is taking or could take over the next several years to provide additional electric system infrastructure relief. These actions include Federal hydro generation efficiencies and additions, additional renewable resource generation and conservation efforts, long-term and short-term power purchases, and construction of transmission projects that reinforce the grid and integrate new generation. As part of these efforts, Bonneville has designed a process to review and prioritize certain proposed transmission investments. Part of this process, developed with stakeholder input, will provide investor owned utilities (IOUs) and public utilities an opportunity to evaluate proposed major transmission infrastructure additions for their cost, benefits, and their contribution to reliability, as well as schedules for project completions. Bonneville has moved this process to the Transmission Planning Committee of the Northwest Power Pool, which will provide a broader review of any proposed regional infrastructure project. Bonneville will also engage DOE and other regional stakeholders in discussions to clarify needed generation improvements and conservation.
- Bonneville received an additional \$700 million in available Treasury financing through the FY 2003 Appropriations Act to help assure a sufficient level of infrastructure planning. For efficient use of this newly available Treasury financing, BPA will encourage private-sector or other non-Federal financing or joint financing of transmission line expansions and additions, develop a five-year investment plan with the participation of the regional Infrastructure Technical Review Committee or its successor in the region, continue to use funds only for authorized purposes, continue to include the proposed use of the funds in its annual budget submissions and select projects based on cost-effectiveness criteria for achieving the objective. The FY 2003 Appropriations Act increases to \$4.45 billion the aggregate amount of bonds Bonneville is authorized by statute to sell to the Treasury and have outstanding at any one time.
- Bonneville is considering other strategies to sustain funding for its infrastructure investment requirements as well. These additional strategies include optimization of ENW debt, revenue financing of some amount of transmission investments, and seeking, when feasible, third party financing sources. Bonneville has no commitments at this time for future projects utilizing third party financing. This FY 2007 budget includes \$15 million of revenue financing in FY 2005 for transmission infrastructure capital- projects funded in advance.
- Construction of the Schultz-Wautoma-500 kV transmission infrastructure project was financed in part through a lease-purchase agreement with Northwest Infrastructure Financing Corp., a subsidiary of JH Management. The Schultz-Wautoma project is one of the top projects in BPA's transmission infrastructure program and will add transmission

capacity and ease congestion on related transmission paths. The line, energized in December 2005, increases reliability, potentially reducing outages, while allowing approximately 600 megawatts of new capacity for power flowing in the north to south corridors through the network.

- This FY 2007 budget includes capital and expense estimates for the PBL based on the forecast of CRAC adjusted rates for FY 2006, the PFR and the preliminary Initial Power Rate Proposal for FYs 2007-2009, adjusted to reflect anticipated FY 2006 and 2007 debt optimization refinancing of ENW obligations, and associated Initial Power Rate Proposal outyear estimates for FYs 2010-2011. The TBL capital and expense estimates are based on the final 2006-2007 transmission rate proposal. Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region. FY 2005 cost estimates are based on BPA's audited financial results.
- The FYs 2005-2011 revenue estimates in this budget, included in the Net Outlay formulation, are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools; for example, upcoming CRAC adjustments, reduced cost estimates, a net revenue risk adjustment, debt strategies, and/or short-term financial tools to manage net revenues and cash. FY 2005 revenue estimates are based on BPA's audited actual financial results.
- This FY 2007 budget provides an additional revenue adjustment to reflect increases in annual net secondary power revenues over \$500 million. These increases are \$169 million in FY 2007, \$105 million in FY 2008, \$160 million in FY 2009, and \$70 million in FYs 2010-2011. Consistent with both the President's budget and the sound business practices required under the Federal Columbia River Transmission System Act of 1974, these increased amounts will be used to make an equivalent amount of advance amortization payments to the Treasury on BPA's bond obligations. Actual associated revenues could vary significantly due to many variables affecting BPA's revenues including the volatility of secondary power markets and the variability of annual streamflows.
- The net secondary revenue adjustments reflect revised forecasting assumptions from those included in the Initial Power Rate Proposal. Revenues in FYs 2007 and 2008 assume an increase in annual net secondary power revenues over \$500 million above those used in BPA's Power Rate Case Initial Proposal. This results from the use of a near-term mark-to-market approach for establishing market prices.
- Revenue calculations, before net secondary market assumption adjustments, include depreciation and 4(h)(10)(C) assumptions. These credits offset BPA's fish and wildlife program costs allocable to the non-power project purposes of the FCRPS, consistent with the Northwest Power Act. FYs 2006 and 2007 credits for 4(h)(10)(C) included in this FY 2007 budget are estimated at \$89 million, and \$79 million, respectively. Net Outlay estimates are based on current cost savings to date and anticipated cash management goals.

They are expected to follow anticipated management decisions throughout the rate period that, along with actual market conditions, will impact revenues and expenses.

- Bonneville's efforts to keep its rates as low as possible are augmented by the implementation of the Bonneville Appropriations Refinancing Act (part of the Omnibus Consolidated Rescissions and Appropriations Act of 1996) that refinanced Bonneville's outstanding repayment obligations on appropriations. The legislation called for raising low interest rates on historic appropriations to current Treasury market rates and resetting the principal of unpaid FCRPS appropriations. As called for in the legislation, Bonneville submitted its calculations and interest rate assignments implementing the refinancing to the Treasury. The Treasury then approved the BPA submission in July 1997, thus finalizing the implementation of the Bonneville Appropriations Refinancing Act.
- Consistent with assumptions in its 2002 Supplemental Power Rate Proposal and this FY 2007 budget, Bonneville has reached a settlement of the Residential Exchange Program for regional utilities for the post-2001 period. Regional utilities were eligible to participate in the Residential Exchange Program beginning in 2001, except for the nine public agency utilities that previously executed settlement agreements for terms extending through June 30, 2011.

Under terms of the settlement, IOU customers could receive 1,900 average MW (aMW) in power and financial benefits, at prices generally equivalent to the priority firm power rate, over the FY 2002-2006 rate period. In FY 2007, the total amount of settlement benefits changes to 2,200 aMW, which will be provided entirely as financial benefits consistent with new IOU contracts signed in May 2004.

One public agency customer has since requested a Residential Exchange Program contract for participation. Other public agency customers may also request a Residential Exchange Program contract for participation. See the Operating Expenses- Power Business Line section for additional discussion of the settlement agreements.

- In April 2003, Bonneville entered into a settlement agreement with Enron Corporation (Enron) relating to its associated power sales and purchase agreements. This agreement followed Enron's filing for bankruptcy protection in December 2001 and was approved in advance by the Enron Bankruptcy Court, the U.S. District Court for the Southern District of New York, in March 2003. Under the settlement, a \$99 million payment to Enron was paid directly from the Treasury's judgment fund in June 2003. The agreement calls for Bonneville to fully reimburse the Treasury by the end of December 2006, for the judgment funds used plus interest. Consistent with a memorandum of understanding with the Treasury, Bonneville makes interest payments on the outstanding debt to the Treasury's "miscellaneous receipts" account.
- As part of its continuing competitive efforts, Bonneville is working to further optimize debt service costs (often referred to as debt optimization elsewhere in this budget). Bonneville has reached agreement with ENW to pursue refinancing of certain ENW bonds. Bonneville pays the debt service on these bonds under the terms of earlier net billing



agreements. A component of the refinancing strategy is to extend the final maturity on the Columbia Generating Station (formerly WNP-2) debt. In addition, for Projects 1 and 3, some debt currently maturing prior to FY 2012 is being extended into the FY 2013-2018 time period. Bonneville has committed to ENW to use the reductions in debt service resulting from this extension to amortize Federal debt earlier than currently scheduled, except in the case of an extreme financial emergency. Implementation of the refinancing components will be subject to favorable market conditions and interest rate environment.

- As part of its strategic staffing efforts and implementation of operational efficiency initiatives, Bonneville has shown a downward trend in Full-Time Employee (FTE) levels since FY 2003. BPA expects continuing efficiency initiatives in targeted areas to continue this trend and level out at about 3,000 FTEs in the outyears. BPA will continue to use various authorities, including the use of voluntary separation incentives (VSI) and voluntary early retirement authority (VERA) to help achieve targeted levels. Annual Bonneville FTE projections included in this FY 2007 budget for FYs 2006 and 2007 are 3,025 and 3,000, respectively.
- Bonneville is committed to continue funding its share of the region's efforts to recover listed Columbia Basin fish and wildlife. To the extent possible, Bonneville is integrating the actions implemented in response to the Federal Columbia River Power System (FCRPS) Biological Opinions with projects implemented under the Council's Fish and Wildlife Program. Recently completed Sub-basin Plans that include prioritized strategies for mitigation actions will help guide project selection to meet both BPA's ESA and Northwest Power Act responsibilities.
- Discussion of a minimum cost-sharing requirement for fish and wildlife projects funded by BPA in 2007 and beyond is occurring currently in ongoing long-term funding discussions with the Council and the regional fish and wildlife managers and Northwest Tribes. As part of this long term funding discussion for the Integrated Fish and Wildlife Program, BPA has recommended a reorientation of the program that places greater emphasis on projects that are performance based and deliver more results on-the-ground. Recommended guidelines are 70 percent of overall program funding for on the ground projects such as habitat protection, enhancement, tributary passage, screening and hatchery efforts; 25 percent to research, monitoring and evaluation; and 5 percent for coordination, data management and administration.
- Consistent with the PFR, this FY 2007 budget sets an estimated Fish and Wildlife program level of \$36 million in capital and \$142 million in expense for FYs 2007 – FY 2009. These estimates as well as those for other BPA fish program costs may change, however, depending on a number of variables including the long-term effect of the Federal district court decision on the NOAA Fisheries 2004 FCRPS Biological Opinion.
- Many of the actions in the FCRPS Biological Opinions and the Council's program overlap, particularly in the areas of habitat and hatchery offsite mitigation measures. The FCRPS Action Agencies' (Corps, Reclamation, and Bonneville) Biological Opinion Implementation Plans describe an approach that maximizes the use of the Council's

regional processes to identify and select projects that avoid jeopardizing the survival of the ESA-listed species and to protect, mitigate and enhance fish and wildlife; both listed and non-listed affected by the operation of the FCRPS. The Council's Fish and Wildlife Program, provides the mechanism for integrating activities focused on ESA-listed fish in the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions (FCRPS Biological Opinions) with those for non-listed species affected by the Columbia Basin's Federal and non-Federal hydrosystems).

- The FY 1997 Energy and Water Development Appropriations Act added section 4(h)(10)(D) to the Northwest Power Act, directing the Council to appoint an Independent Scientific Review Panel (ISRP) "to review a sufficient number of projects" proposed to be funded through Bonneville's fish and wildlife budget "to adequately ensure that the list of prioritized projects recommended is consistent with the Council's program." And, ". . . in making its recommendations to Bonneville, the Council shall consider the impact of ocean conditions on fish and wildlife populations; and shall determine whether the projects employ cost-effective measures to achieve program objectives." Consequently, projects funded by Bonneville under the program are reviewed and prioritized as part of the Council recommendation process.
- Included with the budget schedules section of this budget document is the current tabulation of Bonneville's fish and wildlife costs from FY 1996 through 2005.

### **President's Management Agenda**

- In the area of the President's Management Agenda, Bonneville is leveraging the President's initiatives to achieve efficiencies while preserving the long-term value of the FCRPS. To ensure that Bonneville is able to fully leverage the initiatives, Bonneville has incorporated a matrix team approach utilizing OMB and the Office of Personnel Management (OPM) "Proud to Be" standards and is continuing to develop strategies to achieve greater efficiencies in Bonneville programs and operations. In 2005, BPA was rated "green" on its performance of each annual target associated with the DOE Energy General Goal.
- Bonneville is self-reporting its Current Status as "green" or successful on both the Financial Management and the Integrating Budget and Performance initiatives. Over the past several years, Bonneville has streamlined and integrated its strategic planning and budgeting processes, setting quantifiable outcome goals and targets, aligning its resource allocations in the context of past results, and implementing the Balance Scorecard concept of performance management. BPA has initiated a "full-cycle financial management" process where the agency's strategic direction drives the development of performance targets that in turn are reflected in outyear budget estimates, BPA's long-term rate development process, and individual managerial performance contracts.

Bonneville has received a clean audit opinion since the mid-1980s and has no material financial weaknesses reported on its financial statements. Bonneville planning and budgeting processes include extensive Bonneville stakeholder involvement, including

customers, constituents, tribal and other interested parties in the region. Bonneville's financial management systems and reporting procedures meet Federal standards, comply with Generally Accepted Accounting Principles (GAAP), and are consistent with Presidential Initiative schedule guidance.

Bonneville, along with the Corps and Reclamation, has developed an asset management strategy to improve the performance and efficiency of FCRPS assets. This strategy evolved into a comprehensive integrated business management model, which dovetails with the President's Budget and Performance initiative. In addition, BPA continues to improve its overall agency capital asset management strategy resulting in a more rigorous and analytical based prioritization of capital projects.

- In the area of Expanding E-Government, Bonneville is self-reporting its Progress Toward Implementing the President's Management Agenda as "green." Supporting "E-Gov" initiatives, BPA has expanded its participation and has consolidated its business and administrative Information Technology (IT) groups to gain operating efficiencies and improve overall performance. Bonneville exceeds OMB standards for IT business case preparation and for providing web access that improves citizen access by offering one-stop shopping through integrated delivery methods, while reducing undue burden on our business partners and customers by reducing or eliminating the need to re-key data. Bonneville has developed an Enterprise Resource Planning system that integrates its major business process and provides its managers and employees with access to timely and accurate financial, personnel, and property reports. BPA will continue to work with DOE to expand and strengthen its E-Gov initiative participation.
- Bonneville is self-reporting "green" in Current Status and "green" in Progress toward Implementing the President's Management Agenda in the area of Human Capital. This initiative has served as a catalyst in redefining BPA's organizational strategy, in developing and getting alignment with meaningful objectives, and in assigning clear accountabilities. A Workforce Plan, completed in early 2004, sets forth BPA's strategy for achieving these goals. The Human Capital Initiative also underscores BPA's efforts toward creating a culture and workforce capability that ensure its ability to successfully achieve its mission. Through its performance management systems, as an example, Bonneville aligned agency strategic business objectives with quantifiable targets that are embedded in individual executive and managerial performance contracts. Development of a new Human Resource Management Information System tool that will support organizational development plans focused on closing mission critical skills gaps is underway as well.

In support of these efforts, BPA is also implementing its "position management" initiative that will evaluate the structuring of positions, functions, and organizations in a manner that optimizes productivity, efficiency, and organizational effectiveness. Strong position management will help ensure the efficient distribution of staff resources and help in identifying, preventing, and eliminating unnecessary organizational fragmentation. Implementation of this long-term program will utilize position management targets.

## **Overview of Detailed Justifications**

Bonneville's Detailed Justification Summaries, included in this FY 2007 budget, follow present budget requirements for budget line items on the basis of accrued expenditures. Accrued expenditure is the basis of presenting Bonneville's program funding levels in the power and transmission rate making processes and the basis upon which Bonneville managers control their resources to provide products and services. Accrued expenditures relate period costs to period performance. Traditional budget obligation requirements for Bonneville's budget are shown on the Program and Financing Summary Schedule prepared in accord with OMB Circular A-11.

The organization of BPA's FY 2007 budget and these performance summaries reflect Bonneville's business line basis for utility enterprise activities. Bonneville's major areas of activity on a consolidated budget and accounting basis include Power and Transmission with administrative costs included. The PBL includes line items for Fish and Wildlife, Conservation and Energy Efficiency, Residential Exchange, Associated Projects O&M Costs, and Council. Environmental activities are shown in the relevant business line, and in accord with OMB Circular A-11 guidance for revolving funds, reimbursable costs are incorporated within the associated business lines. Bonneville's interest expenses, pension and post-retirement benefits, and capital transfers to the Treasury are shown by program.

The first section of performance summaries, Capital Investments, includes accrued expenditures for investments in electric utility and general plant associated with the FCRPS generation and transmission services, conservation and energy efficiency services, fish and wildlife, and capital equipment. These capital investments will require budget obligations and use of existing borrowing authority of \$477 million in FY 2007.

The near-term forecast capital funding levels have undergone an extensive internal review as a result of BPA's capital budgeting process and its associated capital asset management strategy. These capital reviews encompass project cost management initiatives, capital investment assessments, and prioritization of capital projects to be funded based on risk and other factors. Consistent with BPA's near-term capital funding review process, this FY 2007 budget includes updated capital funding levels for FY 2006. Utilizing this review process helps Bonneville in its efforts to compete in the deregulated energy market. Bonneville will continue to work with the Corps and the Reclamation to optimize the best mix of projects.

In addition to its extensive internal management assessment of capital investments, Bonneville has developed and is implementing an associated external capital investment review process that provides significant benefits to Bonneville. The combined internal and external processes add value by both improving direction on what the FCRPS invests in (tying investments more closely to agency strategy) and by improving how those investments are made (better analysis and review of capital investments and their alternatives). BPA will continue its efforts to refine and further implement its capital investment review process to improve the value provided.

Bonneville's second section of the performance summaries, entitled Annual Operating Expenses, includes accrued expenditures for business line and program activities financed by

power sales revenues and transmission services revenues and projects funded in advance. For FY 2007, budget expense obligations are estimated at \$2,464 million. The total program requirements of all Bonneville programs include estimated budget obligations of \$3,036 million in FY 2007.



## Bonneville Power Administration

### Funding Profile by Subprogram <sup>1/</sup>

	2005 Actuals	2006 Original <sup>2/</sup>	2006 Adjustments	2006 Revised <sup>2/</sup>	2007 Proposed
Capital Investment Obligations					
Associated Project Costs <sup>3/</sup> .....	88,478	N/A	-	130,000	133,000
Fish & Wildlife .....	12,237	N/A	-	36,000	36,000
Conservation & Energy Efficiency <sup>3/</sup> .....	15,292	N/A	-	44,000	32,000
Subtotal, Power Business Line <sup>4/</sup> .....	116,007	N/A	-	210,000	201,000
Transmission Business Line .....	141,721			200,689	251,541
Capital Equipment & Bond Premium .....	12,579	N/A	-	26,461	24,252
Total, Capital Obligations <sup>3/</sup> .....	270,307	487,470	-	437,150	476,793
Expensed and Other Obligations					
Expensed .....	2,572,513	2,976,655	-	2,633,300	2,464,963
Projects Funded in Advance .....	80,256	147,359	-	71,887	94,989
Total, Obligations <sup>6/</sup> .....	2,923,076	3,611,484		3,142,337	3,036,745
Capital Transfers (cash) .....	657,983	371,560	-	436,783	877,573
BPA Total .....	3,581,059	3,983,044	-	3,579,120	3,914,318
Full-time Equivalents (FTEs) .....	3,046	3,166	-	3,025	3,000

**Public Law Authorizations include:**

Bonneville Project Act of 1937, Public Law No. 75-329, H.R. 7642

Federal Columbia River Transmission Act of 1974, Public Law No. 93-454 S. 3362

Regional Preference Act of 1964, Public Law No. 88-552

Pacific Northwest Electric Power Planning and Conservation Act of 1980 (Northwest Power Act), Public Law No. 96-501, S. 885

## Outyear Funding Profile by Subprogram <sup>1/</sup>

(accrued expenditures in thousands of dollars)

	Fiscal Year			
	2008	2009	2010	2011
Capital Investment Obligations				
Associated Project Costs <sup>3/</sup>	145,000	137,000	123,000	124,000
Fish & Wildlife	36,000	36,000	36,000	36,000
Conservation & Energy Efficiency <sup>3/</sup>	32,000	32,000	40,000	40,000
Subtotal, Power Business Line <sup>4/</sup>	213,000	205,000	199,000	200,000
Transmission Business Line	284,338	251,584	299,233	309,978
Capital Equipment & Bond Premium	32,732	27,436	27,642	27,426
Total, Capital Obligations <sup>3/</sup>	530,070	484,020	525,875	537,404
Expensed and Other Obligations				
Expensed	2,686,390	2,783,808	2,802,515	2,903,135
Projects Funded in Advance	72,339	115,355	118,763	70,021
Total, Obligations <sup>6/</sup>	3,288,799	3,383,183	3,447,153	3,510,560
Capital Transfers (cash)	467,051	453,723	459,049	461,962
BPA Total	3,755,850	3,836,906	3,906,202	3,972,522
Full-time Equivalents (FTEs)	3,000	3,000	3,000	3,000

### BPA Funding Profile by Subprogram

#### Notes:

- <sup>1/</sup> This budget has been prepared in accordance with the Budget Enforcement Act (BEA) of 1990. Under this Act all BPA budget estimates are treated as mandatory and are not subject to the discretionary caps included in the BEA. These estimates support activities which are legally separate from discretionary activities and accounts. Thus, any changes to BPA estimates cannot be used to affect any other budget categories which have their own legal dollar caps. Because BPA operates within existing legislative authority, BPA is not subject to a Budget Enforcement "pay-as-you-go" test regarding its revision of current-law funding estimates.
- <sup>2/</sup> Original estimates reflect BPA's FY 2006 Congressional Budget Submission. Revised estimates, consistent with BPA's annual near-term funding review process, provide notification to the Administration and Congress of updated capital and expense funding levels for FY 2006.
- <sup>3/</sup> Includes infrastructure investments designed to address the long-term needs of the Northwest and to reflect significant changes affecting BPA's power and transmission markets.
- <sup>4/</sup> The Power Business Line (PBL) includes Fish & Wildlife, Residential Exchange, Planning Council, Conservation & Energy Efficiency and Associated Project Costs which have been shown separately for display purposes.



- 5/ This FY 2007 budget includes capital and expense estimates for the PBL based on the forecast of CRAC adjusted rates for FY 2006, the PFR and preliminary Initial Power Rate Proposal for FYs 2007-2009, adjusted to reflect anticipated FYs 2006 and 2007 debt optimization refinancing of ENW obligations, and associated Initial Power Rate Proposal outyear estimates for FYs 2010-2011. The TBL capital and expense estimates are based on the filed 2006-2007 transmission rate proposal.

Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.

Refer to 16 USC Chapters 12B, 12G, 12H, and BPA's other organic laws, including P.L. 100-371, Title III, Sec. 300, 102 Stat. 869, July 18, 1988 regarding BPA's ability to obligate funds.

## **Major Outyear Considerations**

Bonneville's outyear estimates reflect its ongoing efforts to achieve its long-term mission and strategic direction. The outyear estimates are developed with consideration of and support of BPA's multi-year performance targets that lay out the course for achieving BPA's long-term objectives. Outyear capital investment levels support BPA's infrastructure program, hydro efficiency program, conservation and energy efficiency projects, and its fish and wildlife mitigation projects.

With passage of the recent Energy Policy Act of 2005, Bonneville is now working to incorporate the various aspects of the legislation related to its business, in particular the energy supply, conservation and new energy technologies for the future that are highlighted in the legislation.

# Power Business Line - Capital

## Funding Schedule by Activity

(accrued expenditures) (dollars in thousands)			
	FY 2005	FY 2006	FY 2007
Power Business Line - Capital			
Associated Project Costs .....	88,478	130,000	133,000
Fish & Wildlife .....	12,237	36,000	36,000
Conservation & Energy Efficiency .....	15,292	44,000	32,000
Total, Power Business Line - Capital .....	116,007	210,000	201,000

## Outyear Funding Schedule

(accrued expenditures) (dollars in thousands)				
	FY 2008	FY 2009	FY 2010	FY 2011
Total, Power Business Line - Capital .....	213,000	205,000	199,000	200,000

### Description

Associated Project Costs provide for direct funding of additions, improvements and replacements of existing Reclamation and Corps hydroelectric projects in the Pacific Northwest that provide for increased performance and availability of generating units. The Reclamation and Corps provide power production, which is marketed by Bonneville.

Maintaining the availability and increasing the efficiency of the FCRPS is critical to ensuring that the region has an adequate, reliable and low-cost power system. The FCRPS represents about 80 percent of Bonneville's power supply and is composed of 31 operating Federal hydro electric projects with over 200 generating units. These projects have an average age of over 45 years, with some that exceed 60 years of age. Through direct funding and the close cooperation of the Corps and Reclamation, Bonneville uses its borrowing authority to make investments needed to restore generation availability and improve efficiency, reducing demand on Corps and Reclamation appropriations for power-related investments. Since the beginning of direct funding, Bonneville along with its joint operating partners, the Corps and the Reclamation, have significantly improved system performance. In 1999, at the direction of Congress, Bonneville issued a report that it soon began to implement called the "Asset Management Strategy for the FCRPS." Bonneville concluded in this report that it needed to invest nearly \$1 billion in the projects over the next 12-15 years. Without these investments, that are focused on restoring and maintaining the reliability of the system, history indicates that unit availability may initially decline at a rate of about 1.5 percent per year. Supplementary analyses and experience with the system have revealed additional investment needs above and beyond the levels originally planned under the Asset Management Strategy for this and the next several rate periods.

These planned investments, included in this FY 2007 budget funding estimates, will maintain the output of the FCRPS. Moving forward with these cost-effective opportunities to expand the generation and to

preserve and enhance the capability of the Federal system is a smart economic and environmental decision when compared to purchasing power from the market to serve Pacific Northwest electricity needs.

The Fish and Wildlife program provides for the protection, enhancement and mitigation of Columbia River Basin fish and wildlife due to losses attributed to the development and operation of the Federal hydroelectric projects on the Columbia River and its tributaries from which Bonneville markets power, pursuant to Section 4(h) of the Northwest Power Act. Bonneville satisfies a major portion of its fish and wildlife responsibilities by meeting the Administrator's obligation under the Council's Fish and Wildlife Program.

Bonneville is also mandated to implement measures called for under the ESA. These measures are part of the biological opinions issued in November 2004 by the NOAA Fisheries and in 2000 by the USFWS to address the effects of the operation of the FCRPS on threatened and endangered salmon and steelhead and ESA-listed Kootenai River – white sturgeon and bull trout. The biological opinions require the FCRPS Action Agencies to implement actions in the Columbia River Basin that address impacts on the Federal hydrosystem on ESA-listed fish to ensure that operation of the FCRPS does not jeopardize the continued existence of listed species or adversely modify their designated critical habitat. The NOAA 2000 Biological Opinion on the FCRPS was challenged in Federal District Court and found to be legally invalid. The Court remanded it to NOAA to issue an opinion consistent with the Court's holdings. The revised opinion was issued on November 30, 2004 (NOAA Fisheries 2004 Biological Opinion or 2004 BiOp). In February 2005, the FCRPS Action Agencies published an implementation plan for their proposed action addressed in the NOAA Fisheries 2004 Biological Opinion. The implementation plan, together with projects undertaken to address mitigation for non-listed species under the Northwest Power Act, and those to address requirements of the USFWS 2000 Biological Opinion form the basis for Bonneville's planned capital investment of \$36 million for FYs 2005 and 2006.

The NOAA Fisheries 2004 Biological Opinion was also challenged in Federal District Court. In October 2005, the District Court invalidated the 2004 BiOp, although leaving it "in place" during the one year remand period. The Judge also ordered the sovereign parties to collaborate during the remand process, to try to find an acceptable approach for the 2004 BiOp that would have regional support. In December, the Department of Justice filed a notice to appeal the District Court's October 2005 remand order. However, the Federal parties continue to support the court ordered collaboration on the 2004 BiOp, even though an appeal has been filed. There have also been 2 instances of litigation seeking injunctive relief on the FCRPS this year. In June, the Court ordered NWF's request for increased summer spill but denied their request to increase water velocity by 10 percent on the Snake and Columbia Rivers. The judge also required the parties to engage in collaboration to attempt to resolve the issues concerning potential flow augmentation. Because the collaboration did not achieve resolution of the flow augmentation issue, NWF filed another request for injunction on November 1. On December 29th, the Court partially granted and partially denied the request for injunction. In 2006 (the timeframe of the injunction), the FCRPS will continue to spill during both the Spring and the Summer (as it had during 2005), although the Summer spill portion of the order is based upon the Corps's proposed spill operation, rather than spill operation proposed by NWF.

Bonneville's fish and wildlife capital program is directed at activities that increase numbers of Columbia River Basin fish and wildlife resources including projects designed to increase juvenile and adult fish passage in tributaries and at mainstream dams, and increase fish production and survival through construction of hatchery and acclimation facilities, land acquisitions for fish and wildlife that are

consistent with Bonneville's Capital Policy, and fish monitoring facilities. Capital project funding will focus on integrating ESA-related priorities with the Council's Fish and Wildlife Program.

The FY 1997 Energy and Water Appropriations Act added section 4(h)(10)(D) to the Northwest Power Act, directing the Council to appoint an ISRP "to review a sufficient number of projects" proposed to be funded through Bonneville's fish and wildlife budget "to adequately ensure that the list of prioritized projects recommended is consistent with the Council's program." And, "... in making its recommendations to Bonneville, the Planning Council shall consider the impact of ocean conditions on fish and wildlife populations; and shall determine whether the projects employ cost effective measures to achieve program objectives." The Conference Report on the FY 1999 Energy and Water Development Appropriations Act included a new assignment for the ISRP and the Council. The ISRP was to review the fish and wildlife projects, programs, or measures included in Federal agency budgets that are reimbursed and/or directly funded by Bonneville and to make funding recommendations to Congress. The ISRP was directed to determine whether the proposals are consistent with the scientific criteria in the Northwest Power Act as amended in 1996, and provide a report to the Council by April 1 of each year. The Council, in turn, must report to Congress annually by May 15.

The Federal Caucus, a group of eight agencies operating in the Columbia River Basin that have natural resource responsibilities related to ESA, released in December 2000 a comprehensive long-term strategy to restore ESA-listed fish throughout the Columbia Basin. This strategy includes the "All-H" paper that focuses on the establishment of explicit, scientifically based performance standards to gauge the status of salmon and the success of recovery efforts. Consistent with the principles of this strategy (All-H Strategy), Bonneville is implementing much of the off-site mitigation actions required by the FCRPS Biological Opinions through the Council's Fish and Wildlife Program.

Under the 1980 Northwest Power Act, the Fish and Wildlife Program is tasked with protecting, mitigating and enhancing Columbia River Basin fish and wildlife affected by any hydroelectric project in the basin. The Council's Fish and Wildlife Program provides the mechanism for integrating activities focused on ESA-listed fish stocks in the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions for the FCRPS with those for non-listed species affected by the Columbia Basin's Federal and non-Federal hydrosystems. Recently completed Sub-basin Plans that include strategies for mitigation actions will help guide project selection to meet both BPA's ESA and Power Act responsibilities. Additionally, discussion of a minimum cost-sharing requirement for fish and wildlife projects funded by BPA in 2007 and beyond is occurring in currently ongoing long-term funding discussions with the Council and the regional fish and wildlife managers and Tribes.

As part of this long term funding discussion for the Integrated Fish and Wildlife Program, BPA recommends a reorientation of the program that places greater emphasis on projects that are performance based and deliver more results on-the ground. Recommended guidelines are 70 percent of overall program funding for on-the-ground projects such as habitat protection, enhancement, tributary passage, screening and hatchery efforts; 25 percent to research, monitoring and evaluation (RM&E); and 5 percent for coordination, data management and administration. Consistent with the PFR, this FY 2007 budget sets an estimated program level of \$36 million in capital and \$143 million in expense for FYs 2007 – FY 2009. These estimates as well as those for other Bonneville fish program costs may change, however, depending upon a number of factors including the long-term effect of the Federal district court decision on the NOAA Fisheries 2004 Biological Opinion.

When acquiring resources to meet planned future loads, the Northwest Power Act requires the Administrator to first consider and acquire cost-effective conservation that the Administrator determines is consistent with the Northwest Power and Conservation Council's Power Plan. The Council's most recent Power Plan, finalized in January 2005, defines conservation as the more efficient use of electricity and recommends that the region develop 700 aMW of conservation over the next 5-years. Bonneville's share of the conservation target is 40 percent or 280 aMW. Bonneville anticipates that between 100 and 150 aMW of this amount will be acquired under its capital conservation acquisition program.

Conservation was key to the recent effort to reduce Bonneville's power delivery obligations as a way of limiting the impact of volatile and high market prices on Bonneville's rates. Conservation is an important part of Bonneville's diverse portfolio of resources that provides a reliable approach to meeting Bonneville's load obligations.

Long-term investments in energy efficiency help buffer the FCRPS against future resource uncertainties. During periods of price volatility, conservation also helps reduce financial risk associated with relying on the market for energy purchases in the future.

### Detailed Justification

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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<b>Associated Project Costs. . . . .</b>	<b>88,478</b>	<b>130,000</b>	<b>133,000</b>
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BPA will work with both the Corps and Reclamation to reach mutual agreement on those capital improvement projects that need to be budgeted and scheduled, are cost-effective and provide system or site-specific enhancements, increase system reliability, or provide generation efficiencies.

The work is focused on improving the reliability of the FCRPS, increasing its generation efficiency through turbine runner replacements and optimization of hydro facility operation, and small capital reimbursements associated with routine maintenance activities. Also, limited investments may be made in joint use facilities that are beneficial to both the FCRPS operations and to other Corps and Reclamation purposes.

■ **Corps of Engineers (known projects to date)**

FY 2005: Completed work on Power System Reliability Improvements on Lower Snake River projects and continued work at other selected sites. Continued main unit and station service breaker replacements at selected projects. Continued work on oil/water separators at most projects. Continued hydro optimization investigations and equipment installations at selected projects. Continued work on governor replacements at selected projects. Continued refurbishment/replacement of head gates, and completed rehabilitation of bridge crane and replacement of gantry crane at Bonneville. Completed exciter installation at Bonneville, Powerhouse 1; began replacements for Powerhouse 2. Continued rehabilitation work at Bonneville. Began HVAC upgrade and replacement of unwatering pumps at Bonneville. Continued turbine runner replacement and modernization at McNary. Completed exciter replacements at John Day and Willamette Valley projects. Completed plant upgrade and turbine replacement at Cougar. Continued exciter replacements at Libby. Continued CO2 system replacement at Chief Joseph. Completed station service transformer replacement at Chief Joseph. Continued evaluating turbine replacements at Chief Joseph. Began crane rehabilitation at Chief Joseph and Ice Harbor. Continued purchase of replacement generator windings for Lower Granite and Detroit. Continued replacement of exciters at Lower Monumental and Lower Granite. Completed head gate rehabilitation at Ice Harbor. Completed or continued replacement and upgrades on protective relays and fire protection at Lower Snake River projects. Completed heat pump replacements at Little Goose. Continued solicitation and purchase of spare or replacement transformers for several projects. Continued intake crane rehabilitation and station service improvements at The Dalles. Continued rehabilitation work at The Dalles. Purchased replacement transformer for failed one at The Dalles. Began fire protection design and disconnect replacement at The Dalles. Began fire protection design for Willamette Valley projects, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2006: Continue work on Power System Reliability Improvements, specifically Generic Data Acquisition and Control System installations at Albeni Falls and Libby and Intercontrol Center Communications Protocol improvements at most projects. Continue evaluating remote operation at Albeni Falls and Libby. Continue main unit and station service breaker replacements at selected projects. Continue work on oil/water separators at most projects. Complete hydro optimization investigations at Bonneville, John Day and The Dalles. Continue work on governor replacements at selected projects. Continue refurbishment/replacement of head gates at Bonneville. Begin last generator rewedging at Bonneville, Powerhouse 2. Continue exciter replacements for Bonneville, Powerhouse 2. Continue rehabilitation work at Bonneville, Powerhouse 1.

Continue HVAC upgrade and replacement of unwatering pumps at Bonneville. Continue turbine runner replacement and modernization at McNary. Complete exciter replacements at Libby. Continue CO2 system installation at Chief Joseph. Continue work on the 480-volt distribution system and supervisory control consoles replacements at Chief Joseph. Complete crane rehabilitation at Chief Joseph. Begin turbine replacements at Chief Joseph. Continue crane repair and generator replacements at Detroit. Finish remote control installation at Detroit. Continue 480 volts switchgear replacement at Dworshak. Complete replacement of exciters at Lower Monumental and Lower Granite. Continue purchase and replacement of generator windings at Lower Granite.

Complete replacement and upgrades on protective relays and fire protection at Lower Snake River projects. Complete elevator rehabilitation at Little Goose and Lower Monumental. Complete intake crane rehabilitation and purchase spare draft tube bulkhead at Lower Monumental. Continue head gate rehabilitation at McNary. Purchase spare or replacement transformers for several projects. Purchase spare bearing set at John Day. Continue turbine evaluation and replacement at Lookout Point. Continue intake crane rehabilitation and station service improvements at The Dalles. Continue rehabilitation work at The Dalles. Install replacement transformer for failed one at The Dalles. Complete fire protection design and disconnect replacement at The Dalles. Continue fire protection design and replacement at Willamette Valley projects, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2007: Begin installation for remote operation at Albeni Falls and Libby. Continue main unit and station service breaker replacements at selected projects. Continue work on oil/water separators at most projects. Continue work on governor replacements at selected projects. Continue refurbishment/replacement of head gates at Bonneville. Complete last generator rewedging at Bonneville, Powerhouse 2. Continue exciter replacements for Bonneville, Powerhouse 2. Continue rehabilitation work at Bonneville, Powerhouse 1. Complete HVAC upgrade and replacement of unwatering pumps at Bonneville.

Continue turbine runner replacement and modernization at McNary. Continue CO2 system installation at Chief Joseph. Complete work on the 480-volt distribution system and supervisory control consoles replacements at Chief Joseph. Continue turbine replacements at Chief Joseph. Complete generator replacements at Detroit. Complete 480 volts switchgear replacement at Dworshak. Complete purchase and replacement of generator windings at Lower Granite. Continue head gate rehabilitation at McNary. Continue turbine replacement at Lookout Point. Complete crane rehabilitation at Lookout Point. Complete intake crane rehabilitation at The Dalles. Continue rehabilitation work and station service improvements at The Dalles. Complete fire protection replacement at Willamette Valley projects, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2005	FY 2006	FY 2007
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**Bureau of Reclamation (known projects to date):**

FY 2005: Continued Grand Coulee runner replacements. Completed main unit breaker replacement at Grand Coulee. Continued air housing cooler replacement at Grand Coulee. Completed modifications to Grand Coulee Arrival Center. Continued other breaker and switchgear replacements at Grand Coulee. Continued replacement of air compressors at Grand Coulee. Purchased another spare winding for Grand Coulee. Continued hydro optimization investigations and equipment installations at Grand Coulee. Continued SCADA replacement at Grand Coulee and Hungry Horse. Began river bank monitoring system and station service transformer replacements at Grand Coulee. Continued life-safety modifications at Hungry Horse. Began exciter replacement at Anderson Ranch. Continued transformer replacements at Green Springs and Roza. Began DC upgrade at Palisades. Began seal ring replacement at Chandler, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2006: Continue Grand Coulee runner replacements. Continue air housing cooler replacement at Grand Coulee. Continue other breaker and switchgear replacements at Grand Coulee. Complete replacement of air compressors at Grand Coulee. Continue hydro optimization investigations and equipment installations at Grand Coulee. Continue SCADA replacement at Grand Coulee and Hungry Horse. Complete river bank monitoring system and station service transformer replacements at Grand Coulee. Replace station service breakers at Hungry Horse. Complete life-safety modifications at Hungry Horse. Completed exciter replacement at Anderson Ranch. Complete transformer replacements at Green Springs and Roza. Continue DC upgrade at Palisades. Continue seal ring replacement at Chandler, plus a variety of smaller continuing or new investments and repairs to failed units.

FY 2007: Continue Grand Coulee runner replacements. Complete air housing cooler replacement at Grand Coulee. Continue other breaker and switchgear replacements at Grand Coulee. Complete replacement of air compressors at Grand Coulee. Complete hydro optimization investigations and equipment installations at Grand Coulee. Continue SCADA replacement at Grand Coulee and Hungry Horse. Complete station service breaker replacements at Hungry Horse. Complete DC upgrade at Palisades. Complete seal ring replacement at Chandler, plus a variety of smaller continuing or new investments and repairs to failed units.

<b>Fish and Wildlife. . . . .</b>	<b>12,237</b>	<b>36,000</b>	<b>36,000</b>
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Although the Sub-basin planning effort resulting in management strategies and priorities for projects to be recommended for funding in FY 2007 is complete, specific project solicitation and funding decisions will not be completed until late summer 2006. Therefore, based upon priorities and strategies described in the completed subbasin plans, the following projects may be candidates for capital funding in FY 2007. It is Bonneville's intention to proceed with design, environmental review, and construction of those projects from this list that are recommended for funding within the available budget. The costs indicated are preliminary estimates only and actual costs may be greater or lower than those estimates, depending on final environmental review decisions and design and construction costs.



FY 2005-2006 efforts include continued implementation of high priority ESA-related projects and activities associated with the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions. Implementation of reforms to hatchery programs may also be warranted as information on the types of changes to these facilities are established and priorities for sequencing implementation are developed through the Council's Artificial Production Review Committee and final report to Congress. Projects that implement the NOAA Fisheries 2004 and USFWS 2000 Biological Opinions are also described in the FCRPS Action Agencies' Implementation Plans. Bonneville may include capitalization of investment in land acquisition for fish and wildlife provided such costs exceed \$1 million, such investment provides a creditable and quantifiable benefit against a defined obligation for Bonneville, and is consistent with Bonneville's Capital Policy.

Anadromous fish supplementation, production, and/or juvenile and adult passage improvement projects that may require capital funds in FY 2007 include the following:

- Yakima River Spring Chinook Supplementation Facility, located in Cle Elum, Washington: This project includes the construction of an interpretive building for public education and for the design and construction of a monitoring and evaluation building at Nelson Springs for use by project biologists.

- Upper Snake River Spring Chinook Salmon captive broodstock acclimation and adult collection facilities (known as the Northeast Oregon Hatchery or NEOH), to be located on the Upper Grande Ronde River near La Grande, Oregon, on Catherine Creek near Union, Oregon, and on Lostine River near Enterprise, Oregon: The design and construction is expected to continue. This project, as a measure in the Council's Fish & Wildlife Program, would also identify and develop artificial propagation facilities to protect and enhance salmon and steelhead native to the Imnaha and Walla Walla River Basins.

- Salmon Creek restoration and enhancement of anadromous fish populations and habitat in Salmon Creek: This project would provide instream flows through on-farm water conservation and water leasing, design of a river pump station, an upgrade to the Salmon Lake Feeder Canal, and design for channel restoration. A hatchery feasibility study for supplementation of currently listed salmon and steelhead populations under the ESA is under discussion with the Reclamation and may be appropriate for Bonneville funding, with construction potentially funded by the Reclamation. Development and review of a Master Plan is required prior to initiation of this work.

- Modification of adult fish trap at Lower Granite Dam to improve capability of this broodstock collection system to better meet the needs of existing hatchery programs for spring and fall chinook. BPA would fund design and construction costs and Corps would fund any future O&M costs associated with the project.

-Chief Joseph Dam Hatchery. BPA is proposing to fund the Chief Joseph Dam Hatchery Program, a comprehensive management program for summer/fall Chinook salmon, in Washington in the Okanogan subbasin and the Columbia River between the confluence of the Okanogan River and Chief Joseph Dam. Project includes a new hatchery facility (at the base of the Chief Joseph Dam) and acclimation ponds (throughout the Okanogan River subbasin), broodstock collection, egg incubation, rearing, release, and selective harvest techniques.

-Kootenai River White Sturgeon Hatchery. The Kootenai River in Idaho is in need of hatchery upgrades and expansion to improve temperature control and rearing conditions that will result in the overall survival of these ESA-listed fish after release from this facility. Project requires development and review of a Master Plan prior to implementation.

-Nez Perce Tribal Hatchery. Additional rearing and acclimation facilities are requested as part of the existing Nez Perce Tribal Hatchery for reintroduction of up to 700,000 Coho smolts into the Clearwater River in Idaho. Requires development and review of Master Plan prior to implementation.

-Walla Walla River Juvenile and Adult Passage Improvements: This project would provide safe passage for migrating juvenile and adult salmonids in the Walla Walla Basin by constructing and maintaining passage facilities at irrigation diversion dams and canals.

-Walla Walla Hatchery planning and design. Project requires development and review of a Master Plan prior to implementation.

-Redfish Lake Sockeye Captive Brood expansion: Project would expand the sockeye captive broodstock program by constructing new facilities at Eagle Hatchery in Idaho to produce up to 150,000 smolts. Project requires development and review of a Master Plan prior to implementation.

Potential Wildlife Habitat Acquisitions (Including Conservation Easements):

- Grand Coulee and Chief Joseph Wildlife Habitat Acquisition
- Couer d'Alene Fish and Wildlife Habitat Acquisition
- Albeni Falls Wildlife Mitigation.
- Blue Creek Winter Range Wildlife Habitat Acquisition
- Yakima Valley Fish and Wildlife Habitat Acquisition
- Grande Ronde Wildlife Habitat Acquisition
- Salmon River Fish Habitat Acquisition
- Fish and Wildlife Land Acquisition - Selah Gap to Union Gap
- Palisades and Minidoka Wildlife Habitat Acquisition
- Black Canyon, Boise Diversion, Anderson Ranch Wildlife Habitat Acquisition
- Willamette Fish and Wildlife Habitat Acquisition

	FY 2005	FY 2006	FY 2007
<b>Conservation and Energy Efficiency. . . . .</b>	<b>15,292</b>	<b>44,000</b>	<b>32,000</b>

The Conservation Acquisition Program offers several ways for customers to participate in regional conservation. Program components include: (1) utility standard offer and custom programs, which result in customer proposals to conserve energy through residential weatherization, commercial lighting and HVAC (Heating, Ventilation, and Air Conditioning), industrial processes and lighting, and irrigated agriculture; (2) third party delivery programs, such as residential compact fluorescent lighting, “Vending MiSer” (a program to reduce energy use in regional refrigerated vending machines) and the Water and Waste Water Treatment Facilities program; (3) Federal programs to help Federal installations in the region reduce energy use, which includes the Federal Hatcheries program and work at various dams to help the Corps and Reclamation in their efforts to reduce energy use; and (4) other initiatives still in the design stage.

<b>Total Power Business Line – Capital . . . . .</b>	<b>116,007</b>	<b>210,000</b>	<b>201,000</b>
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### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Associated Project Costs

- Slight increase is a reshaping of funding requirements based on the need to maintain a minimum level of generation each year. . . . . +3,000

#### Fish and Wildlife

- Program costs average \$36 million annually for FYs 2006 through rate period. . . . . 0

#### Conservation and Energy Efficiency

- BPA has been working with its delivery partners to reduce its conservation costs. . . . . -12,000

<b>Total Funding Change, Power Business Line - Capital . . . . .</b>	<b>-9,000</b>
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## Transmission Business Line – Capital

### Funding Schedule by Activity

(accrued expenditures) (dollars in thousands)			
Transmission Business Line - Capital	FY 2005	FY 2006	FY 2007
Main Grid .....	21,248	50,854	87,299
Area & Customer Services .....	4,878	19,267	36,798
Upgrades & Additions .....	45,793	41,941	47,480
System Replacements .....	69,802	88,627	79,964
Projects Funded in Advance .....	80,256	71,887	94,989
Total, Transmission Business Line - Capital .....	221,977	272,576	346,530

### Outyear Funding Schedule

(accrued expenditures) (dollars in thousands)				
	FY 2008	FY 2009	FY 2010	FY 2011
Total, Trans Business Line - Capital .....	356,677	366,939	414,996	379,999

## Description

The TBL is responsible for about 75 percent of the Pacific Northwest's high-voltage transmission. TBL provides for all additions, upgrades, and replacements to the Federal BPA transmission system, resulting in reliable service to northwest industrial users and utility customers. The Federal BPA transmission system also facilitates the sale and exchange of power to and from the region.

The eastern blackout on August 14, 2003 alerted the nation to the lack of investment in utility transmission infrastructure. BPA has been working on infrastructure investments and operational practices to improve the transmission grid since the West Coast disturbance on August 10, 1996. TBL has made, and continues to make significant infrastructure improvements and additions to the system to assure reliable transmission in the Northwest. These improvements and additions will help the Federal transmission system continue to comply with national reliability standards, replace aging equipment, allow for interconnection of needed new generation, and remove constraints that limit economic trade or the ability to maintain the system. Prior to beginning the infrastructure improvements the TBL had built no major transmission projects since 1987. Only incremental additions had been added to the system over the years.

The system continues to show signs of stress as two close calls in 2003 demonstrated. On June 4, 2003, voltage instability in the Spokane area was prevented by quick operator action. Two weeks later the transmission path between Montana and Idaho was overloaded for two days, and operator adjustments prevented load loss. In 2004, it was noted that a small load change at BPA's interconnection with Idaho Power near LaGrande, Oregon, was causing an unusually large voltage change. A sign of how the

transmission system is being 'pushed' to its limits of capacity to carry power. The addition of the Grand Coulee-Bell (G9) and the Kangley-Echo Lake (G1) projects have provided dispatchers with a greater OTC, and reduced the likelihood of outages or reduction of transmission capacity for outage situations.

Bonneville's infrastructure investments to strengthen the network consist of the following projects:

(G1) Puget Sound Area Additions (completed), (G2) North of Hanford/ North of John Day (under construction), (G6) Cross Cascades North (completed), (G7) Celilo Modernization (completed), (G9) Spokane Area and Western Montana Generation Additions (completed) (G10) Portland Area Additions (completed).

These projects relieve congestion contributing toward restoring an adequate reliability margin back into the grid. These additional margins will be used to respond to a competitive market, meet regional load during outages, move power to meet changing loads, perform maintenance without harming the market, and allow development of a regional transmission entity to proceed without the regional grid heavily congested.

In 2005, with the Congressional approval of wind tax credits, a number of potential wind generation companies have made requests for connection to the BPA transmission grid. In FY 2005, BPA received a request for, and are working at the interconnection and integration of 550 to 750 MW of wind generation. In FY 2006, the tentative requests are for almost 2,000 MW and already for FY 2007; 1600 MW of wind generation have been tentatively requested for interconnection and integration into the BPA grid. The wind generation being proposed is in addition to the 15,000 MW of gas and geothermal generation already being proposed. These additional generation sources are adding additional stress in getting the power from generation to load in the Northwest.

Bonneville assumes that some generators will seek to interconnect their power projects into the Federal transmission system. Depending on which generators build on sites in the Northwest and the project locations, between 8,000 and 12,000 MW can be interconnected and integrated with the completion of the above additions and improvements. Integration into the Federal transmission system will be consistent with FERC's recent generator interconnection ruling.

As a means to sustain BPA's limited Treasury financing, third-party funding partnerships are currently being considered as a financing option for some projects. At this time BPA has no commitments for future projects utilizing third party financing.

System Replacements replace high-risk, obsolete, and maintenance-intensive facilities and equipment and to reduce the chance of equipment failure by: 1) replacing high voltage transformers and power circuit breakers which are at or near the end of their useful life; 2) replacing risky, outdated and obsolete control and communications equipment and systems; and now includes mandated replacements due to legislation, 3) replacing all other existing high-risk equipment and facilities affecting the safety and reliability of the transmission system.

Bonneville will continue to fund fiber optic communications facilities needed to meet Bonneville's projected operational needs. To the extent that these investments create temporary periods of excess fiber optic capacity, such capacity can be made available to telecommunications providers and to non-profits to meet public benefit Internet access needs for rural areas and other needs in Bonneville's

service area. Bonneville's investments in fiber optics, including the role of the private sector in building fiber optic networks, is consistent with the "Fiber Optic Cable Plan" submitted to Congress on May 24, 2000, accompanying the FY 2000 Energy and Water Development Appropriations Act. In accordance with this plan, when possible, Bonneville will seek partnerships with fiber optic facility and service providers to meet its needs.

In December 2004, the Congress passed and the President signed the Commercial Spectrum Enhancement Act (CSEA, Title II of P.L. 108-494), creating the Spectrum Relocation Fund (SRF) to streamline the relocation of Federal systems from certain spectrum bands to accommodate commercial use by facilitating reimbursement to affected agencies of relocation costs. The Federal Communications Commission has allocated this spectrum for Advanced Wireless Services, and plans to auction it as early as June 2006. Funds will be made available to agencies following the crediting of auction receipts to the SRF, anticipated in fiscal year 2007. Following the transfer of funds from the SRF to agency accounts, system relocation efforts will commence. The amounts included in this FY 2007 budget are BPA's estimated relocation costs, as approved by the OMB, and as reported to the Congress by the Department of Commerce in December 2005. Funds are mandatory and will remain available until expended, and agencies will return to the SRF any amounts received in excess of actual relocation costs.

A SRF (account 11-5512) has been established in the Treasury to facilitate the relocation of Federal radio communication systems. This FY 2007 budget assumes that this fund will in FY 2007 provide relocating Federal entities, through a non-expenditure transfer from the SRF, with full budget authority and cash to cover the cost of relocating their radio communications systems in such a manner to preserve required reliable operational telecommunications, electric power and transmission systems. The estimated BPA cost of this relocation is \$48.7 million which is included in this budget as a FY 2007 non-expenditure transfer from the SRF to the Bonneville Power Administration Fund (BPA Fund). BPA will have 76-100 sites involved, located in Montana, Idaho, Oregon and Washington.

As part of the Homeland Security Presidential Directives, Bonneville has completed a physical security assessment of all critical facilities and is implementing security enhancements at these facilities.

### Detailed Justification

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
<b>Main Grid</b> .....	<b>21,248</b>	<b>50,854</b>	<b>87,299</b>

Bonneville's strategic objectives for Main Grid projects are to provide voltage support; provide a reliable transmission system for open access per FERC criteria; provide for relief of transmission system congestion; and to assure compliance with the National electrical Reliability Council (NERC), Western Electric Coordinating Council (WECC) and BPA reliability standards. During this budgeting period, projects are planned that will provide voltage support to major load areas that are primarily west of the Cascade mountains, and to provide for transmission access for new generation projects to the load center. Minor reinforcements in the Portland, OR/Seattle, WA corridor are also planned.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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- FY 2005: (1) Completed transformer installation at SnoKing and Kangley-Echo Lake (G1); (2) Continued construction of the Schultz-Wautoma 500kV line and Wautoma Substation (G2- North of Hanford/North of John Day); (3) Completed construction of Grand Coulee-Bell 500kV line (G9), (4) Continued planning studies for the Olympic Peninsula Addition II project (G12); (5) Continued planning studies for the Southwest Washington-Northwest

Oregon generation integration project (G13) (on hold); (6) Continued planning studies for the loop in of the Wautoma-Ostrander 500kV line to Big Eddy Substation (G14) (need for project delayed to 2012); (5) Completed studies for the addition of a 230/115kV transformer in the Longview area (6) Continued planning studies for the Monroe-Echo Lake 500kV line #2 (G8) (I-5 Corridor Generation Additions – project on hold); (7) Continued planning studies and design to comply with the N-2 outage criteria; (8) Continued planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; (9) Continued planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities; (10) Continued planning studies to identify and clarify needed infrastructure additions.

- FY 2006: (1) Complete construction of the Schultz-Wautoma 500kV line and Wautoma Substation (G2- North of Hanford/North of John Day); (2) Begin construction of a 230kV transformer in the Longview area; (3), Continue studies to begin design, material ordering and construction for the Olympic Peninsula Addition project (G12) in FY2007; (4) Continue the preliminary design for the Libby-Troy transmission line; (5) Continue planning studies to identify and clarify needed infrastructure additions. (6) Continue planning studies and design to comply with the N-2 outage criteria; (7) Continue planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; (8) Continue planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities.

- FY 2007: (1) Begin the design, material ordering and construction of the Libby-Troy transmission line (2) Continue planning studies to identify and clarify needed infrastructure additions. (3) Continue planning studies and design to comply with the N-2 outage criteria; (4) Continue planning studies to identify other system reactive needs to mitigate unacceptable low or high voltage problems and other system additions; (5) Continue planning studies to solve the transmission system capacity congestion and for the integration of new generation facilities.

<b>Area and Customer Service .....</b>	<b>4,878</b>	<b>19,267</b>	<b>36,798</b>
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Bonneville's strategic objective for Area and Customer Service projects is to assure that Bonneville meets the reliability standards and the contractual obligations we have to our customers for serving load.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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- FY 2005: (1) Completed the relocation of approximately 1 mile of the White Bluffs-Richland 115kV line; (2) Cancelled a 115kV circuit breaker at Targhee substation; (3) Began work on a new Caribou substation for system stability support to Lower Valley Power & Light and regional utilities; (4) Completed studies for the reinforcement of the SW Oregon Coast area; (5) Cancelled 115kV switches at Olympia Substation; (6) Delayed adding a 115kV terminal at McNary Substation to FY07; (7) Continued preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA's service area.
- FY 2006: (1) Begin environmental studies for SW Oregon Coast (Bandon-Rogue); (2) Continue work on new Caribou Substation; (3) Cancelled the project add two 115kV breakers at Red Mountain Substation; (4) Cancelled the project to add shunt caps for Fords Prairie area; (5) Cancelled the project to add SVC for Condon wind generation; (6) Reconductor Chehalis-Centralia 69kV #1 & #2 lines- was changed to a new 230-69kV transformer addition at Cooks Hill after further study; (7) Continue preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA's service area.
- FY2007: (1) Begin design and construction for the SW Oregon Coast project; (2) Begin design for shunt capacitor addition at Fords Prairie area;(3) Continue work on new Caribou Substation, subject to 4 utility agreement being in place; (4) Begin design and construction for a new 230/69kV transformer addition for the City of Centralia – Cooks Hill project; (5) Begin design and construction of a new Benton PUD terminal at McNary6) Continue preliminary engineering and design for miscellaneous facilities required to meet contractual obligations and maintain reliable service for BPA's service area.

<b>Upgrades &amp; Additions .....</b>	<b>45,793</b>	<b>41,941</b>	<b>47,480</b>
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Bonneville's strategic objectives for Upgrades and Additions are to replace older communications and controls with newer technology including fiber optics in order to maintain or enhance the capabilities of the transmission system; to implement special remedial action control schemes to accommodate new generation and mitigate immediate operational and market constrained paths; and, to support communications and remedial action schemes, among other proposals.

During this budget period, BPA will complete design, material acquisition, construction and activation of several fiber optics facilities to provide bandwidth capacity and high-speed data transfers to eventually replace microwave analog radios, which are technologically obsolete and nearing the end of their useful life. Temporarily, in some areas, excess fiber capacity is being offered for a term to telecommunications providers or to public entities such as public utilities, schools, libraries, and hospitals, providing them access to high-speed telecommunication services as a public benefit.



(dollars in thousands)

FY 2005	FY 2006	FY 2007
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- FY 2005: (1) Completed the Thompson Falls to Taft sections of the 175 mile Noxon-Hatwai fiber optic project; (2) Completed construction of the 41 mile fiber optic Echo Lake-Monroe-Snohomish project; (3) Completed preliminary designs and initiated material orders for the 16 mile Covington-Maple Valley section of the original 32 mile Covington-Maple Valley-Echo Lake fiber optic project. The Maple Valley-Echo Lake fiber section was postponed (4) Began the design, material acquisition for the 32 mile Pearl-Troutdale fiber optic project, this project was delayed and the technical plan changed; (5) Completed construction of secondary fiber related projects and digital radio system upgrades to improve the operational telecommunication system; (6) Completed replacement and upgrade of operational and marketing business tools at the Dittmer and Munro control centers; (7) Completed planning, design, material acquisition and construction of special remedial action control schemes required for interconnecting new generation projects and mitigating immediate constrained paths; (8) Continued planning, design, material acquisition and construction of various system additions and upgrades necessary to maintain a reliable system for BPA's service area.
- FY 2006 (1) Complete construction of the 16 mile Covington-Maple Valley section of the original 32 mile Covington-Maple Valley-Echo Lake fiber optic project; (2) Complete design, material acquisition and construction of the 32 mile Pearl-Troutdale fiber optic project; (3) Delayed the 40 mile Pearl-Marion fiber optic project (pending the start of the Sempra generation project); (4) The originally planned 68 mile Snohomish-Bellingham fiber optic project is now re-defined to include 2 portions affecting FY 2006 and FY 2007. In FY 2006 the plan is to complete design , acquire materials and begin construction of a total 60 miles between Maple Valley and Monroe and between Snohomish and Murray substations.; (5) Continue construction of secondary fiber related projects and digital radio system upgrades to improve the operational telecommunication system; (6) Continue replacement and upgrade of operational and marketing business tools at the Dittmer and Munro control centers; (7) Continue planning, design, material acquisition and construction of special remedial action control schemes required for interconnecting new generation projects and mitigating immediate constrained paths; (8) Continue planning, design, material acquisition and construction of various system additions and upgrades necessary to maintain a reliable system for BPA's service area.
- FY 2007: (1) Complete the construction of the 60 miles of fiber optics between Maple Valley and Monroe and between Snohomish and Murray; (2) As the second part of the original Snohomish-Bellingham fiber project, complete the design, material acquisition and start construction of a 51 mile fiber optic connection between Murray and Bellingham; (3) Complete design, material acquisition and start construction of a 10 mile fiber optic project between Franklin and Sacajawea substations; (4) Continue construction of secondary fiber related projects and digital radio system upgrades to improve the operational telecommunication system; (6) Continue replacement and upgrade of operational and marketing business tools at the Dittmer and Munro control centers; (7) Continue planning, design, material acquisition and construction of special remedial action control schemes required for interconnecting new generation projects and mitigating immediate constrained paths; (8) Continue planning, design, material acquisition and construction of various system additions and upgrades necessary to maintain a reliable system for BPA's service area.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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<b>System Replacements</b> .....	<b>69,802</b>	<b>88,627</b>	<b>79,964</b>
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Bonneville's strategic objectives for System Replacement are to replace high-risk, obsolete, and maintenance-intensive facilities and equipment and to reduce the chance of equipment failure by: 1) replacing high voltage transformers and power circuit breakers which are at or near the end of their useful life; 2) replacing risky, outdated and obsolete control and communications equipment and systems; and now includes mandated replacements due to legislation, 3) replacing all other existing high-risk equipment and facilities affecting the safety and reliability of the transmission system.

#### Non-Electric Replacements:

- FY 2005: (1) Completed various maintenance building and control house roof replacements; (2) Completed seismic upgrades to buildings; (3) Completed various HVAC (high-voltage alternating current) replacements; (4) Completed other non-electric replacements as necessary; (5) Continued the design, material acquisition, and construction for the Access Road Program; (6) Design activities for the Dittmer Control Center expansion at the Ross Complex continued, however, mid year the project was cancelled and all activities stopped.
- FY 2006: (1) Complete various maintenance building and control house roof replacements; (2) Complete seismic upgrades to buildings; (3) Complete various HVAC replacements; (4) Complete other non-electric replacements as necessary; (5) Continue the design, material acquisition, and construction for the Access Road Program; (6) Complete 12 security enhancement projects at various substations; (7) Replace BPA helicopter utilizing General Services Administration exchange sale authority.
- FY 2007: (1) Complete various maintenance building and control house roof replacements; (2) Complete seismic upgrades to buildings; (3) Complete various HVAC replacements; (4) Complete other non-electric replacements as necessary; (5) Continue the design, material acquisition, and construction for the Access Road Program; (6) Complete 12 security enhancement projects at various substations.

#### Electric Replacements:

- FY 2005: (1) Replaced system protection and control equipment and other substation and line facilities as needed to maintain reliability using Reliability Centered Replacement (RCR) criteria. Such replacements include relays, annunciators, oscillographs, metering and various types of communication related equipment and SCADA equipment; (2) Replaced under-rated and high maintenance substation equipment; (3) Replaced spacer dampers on various 500kV lines; (4) Replaced critical, operational tools and marketing business systems at the Dittmer and Munro Control Centers; (5) Replaced deteriorating wood pole transmission line structures, spacer dampers and insulators with Non-Ceramic Insulators (NCI).

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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FY 2006: (1) Complete replacement of system protection and control equipment and other substation and line facilities as needed to maintain reliability using RCR criteria. Such replacements include relays, annunciators, oscillographs, metering and various types of communication related equipment and SCADA equipment; (2) Complete replacement of under-rated and high maintenance substation equipment; (3) Complete replacement of spacer dampers on various 500kV lines; (4) Complete replacement of critical, operational tools and marketing business systems at the Dittmer and Munro Control Centers; (5) Continue replacing deteriorating wood pole transmission line structures, spacer dampers and insulators with NCI; (6) Begin the replacement of the 500kV series capacitor controls at 5 locations on the COI (California-Oregon Intertie) System, (7) Begin the replacement of radios that utilize the 1.7 GHZ frequency band as provided for by the CSEA Act.

FY 2007: (1) Continue replacement of system protection and control equipment and other substation and line facilities as needed to maintain reliability using RCR criteria. Such replacements include relays, annunciators, oscillographs, metering and various types of communication related equipment and SCADA equipment; (2) Continue replacement of under-rated and high maintenance substation equipment; (3) Continue replacing spacer dampers on various 500kV lines; (4) Continue replacing critical, operational tools and marketing business systems at the Dittmer and Munro Control Centers; (5) Continue replacing deteriorating wood pole transmission line structures and insulators with Non-Ceramic Insulators (NCI); (6) Continue the replacement of the 500kV series capacitor controls at 5 locations on the COI, (7) Continue the replacement of radios that utilize the 1.7 GHZ frequency band as provided for by the CSEA Act.

<b>Projects Funded in Advance .....</b>	<b>80,256</b>	<b>71,887</b>	<b>94,989</b>
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This category includes those facilities and/or equipment where BPA retains ownership but which are funded by a third party or with revenues, either in total or in part.

- F Y 2005: (1) Continued studies for the integration of the new 290 MW generation capacity near Longview into the BPA transmission grid per Transmission Service Request via the Open Access Tariff (cancelled) (2) Cancelled the project to integrate new 1300 MW generation capacity near Wanapa into the BPA transmission grid per Transmission Service Request via the Open Access Tariff; (3) Continued to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the Open Access Tariff; (4) Continued construction of the Schultz-Wautoma (G-2)500 KV transmission line, (5) Performed studies to identify system impacts and needs regarding proposed new generation projects; (6) Performed environmental cleanup and other work necessary for the sale of BPA facilities; (7) Completed other projects as requested by customers.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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- FY 2006: (1) Continue to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the Open Access Tariff; (2) Complete construction of the Schultz-Wautoma (G-2) 500 KV transmission line; (3) Perform studies to identify system impacts and needs regarding proposed new generation projects; (4) Perform environmental cleanup and other work necessary for the sale of BPA facilities; (5) Complete other projects as requested by customers.
- FY 2007: (1) Continue to integrate various new wind generation projects into BPA transmission grid per Transmission Service Request via the Open Access Tariff; (3) Perform studies to identify system impacts and needs regarding proposed new generation projects; (4) Perform environmental cleanup and other work necessary for the sale of BPA facilities; (5) Complete other projects as requested by customers.

<b>Total, Transmission Business Line – Capital . . . . .</b>	<b>221,977</b>	<b>272,576</b>	<b>346,530</b>
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### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Main Grid

- Reflects fiscal year shifts in material and construction costs associated with the infrastructure projects and to accommodate projects associated with updated power flow study results . . . . . +36,445

#### Area & Customer Services

- Reflects greater emphasis on customer service projects. . . . . +17,531

#### Upgrades & Additions

- Reflects increased emphasis on both systemwide communications upgrades and improvements and additions to other transmission facilities . . . . . +5,539

#### System Replacements

- Reflects less emphasis on system replacements . . . . . -8,663

#### Projects Funded in Advance

- Reflects increased emphasis on completion of large customer funded projects related to generation integration . . . . . +23,102

<b>Total Funding Change, Transmission Business Line - Capital . . . . .</b>	<b>+73,954</b>
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## Capital IT & Equipment/Capitalized Bond Premium

### Funding Schedule by Activity

	(accrued expenditures) (dollars in thousands)		
Capital Equipment/Capitalized Bond Premium	FY 2005	FY 2006	FY 2007
Capital Information Technologies (IT) & Equipment .....	12,579	26,461	24,252
Capitalized Bond Premium .....	0	0	0
Total, Capital Equipment/Capitalized Bond Premium .....	12,579	26,461	24,252

### Outyear Funding Schedule

	(accrued expenditures) (dollars in thousands)			
	FY 2008	FY 2009	FY 2010	FY 2011
Total, Capital IT & Equipment/Capitalized Bond Premium . . .	32,732	27,436	27,642	27,426

### Description

Capital Information Technologies provides for the acquisition of general and some dedicated business line special purpose capital information technologies, and acquisition of special-use capital and IT equipment in support of Bonneville's strategic objectives.

As part of a major efficiency effort and in support of the President's Management Initiative on Expanded Electronic Government, BPA is consolidating its IT management. This FY 2007 budget incorporates the results of the consolidation efforts. BPA is seeking additional efficiencies as part of the consolidation of IT. The IT consolidation initiative is targeted to: eliminate redundancies in tools and applications; establish an agency wide IT architecture with standardized IT purchasing criteria; consolidate licensing processes and minimize agency liabilities through stronger contracts; improve IT project management; and formulate an agency IT portfolio cost management strategy. The consolidated IT budget in this FY 2007 budget, under Capital Information Technologies and Equipment includes all IT functions within the agency except TBL grid operations. See the Capital Program – Transmission Services Business Line section of this budget for additional discussion of transmission-related IT requirements acquisitions.

Capital equipment provides for the acquisition of general and some dedicated business line special purchases of capital office furniture and equipment.

Bonneville incurs a bond premium whenever it repays a Treasury bond before the due date. When bonds are refinanced, the bond premiums incurred are capitalized. Historically, Bonneville generally has chosen to finance capitalized bond premiums with bonds issued to the Treasury, as was envisioned in the Transmission System Act of 1974.

## Detailed Justification

(dollars in thousands)

	FY 2005	FY 2006	FY 2007
<b>Capital IT/Equipment</b> .....	<b>12,579</b>	<b>26,461</b>	<b>24,252</b>
<ul style="list-style-type: none"> <li>■ Includes enhancements to Bonneville's information technology processes to provide cost effective efficiencies for secure, timely and accurate information. Continue enhancements to Bonneville's Enterprise systems that are designed to link key information systems throughout Bonneville and improve business processes. Current efforts include functional expansion into areas not implemented during the initial development phase. Acquire capital office furniture and equipment, capital automatic data processing (ADP) -based administrative telecommunications equipment, ADP equipment (hardware), and support capital software development for certain Bonneville programs.</li> </ul>			
<b>Capitalized Bond Premium.</b> .....	<b>0</b>	<b>0</b>	<b>0</b>
<ul style="list-style-type: none"> <li>■ Continue to assess financial market and when cost-effective, refinance available bonds as prudent.</li> </ul>			
<b>Total, Capital IT &amp; Equipment/Capitalized Bond Premium</b> .....	<b>12,579</b>	<b>26,461</b>	<b>24,252</b>

## Explanation of Funding Changes

	FY 2007 vs. FY 2006 (\$000)
<b>Capital IT &amp; Equipment</b>	
<ul style="list-style-type: none"> <li>■ Decrease reflects continuing emphasis on IT consolidation efficiency gains.</li> </ul>	-2,209
<b>Capitalized Bond Premium</b>	
<ul style="list-style-type: none"> <li>■ No change .....</li> </ul>	0
<b>Total, Funding Change Capital IT &amp; Equipment/Capital Bond Premium . .</b>	-2,209

# Power Business Line - Operating Expense

## Funding Schedule by Activity

	(dollars in thousands/accrued expenditures)		
	FY 2005	FY 2006	FY 2007
Power Business Line- Operating Expenses			
Production.....	1,290,992	1,363,311	974,942
Associated Projects Costs	233,331	250,399	268,741
Fish & Wildlife	152,862	138,504	142,484
Residential Exchange	144,073	137,810	323,000
NW Power & Conservation Council	8, 650	8,700	9,085
Conservation and Energy Efficiency	82,841	64,190	69,288
Total, Power Business Line - Operating Expenses	1,912,749	1,962,914	1,787,540

## Outyear Funding Schedule

	(dollars in thousands/accrued expenditures)			
	FY 2008	FY 2009	FY 2010	FY 2011
Total, Power Services - Operating Expense	1,981,768	2,040,019	2,044,811	2,118,948

### Description

Production includes all Bonneville strategic resource planning and business development, short- and long-term power purchases, wheeling, electric utility marketing of resources, hedging-related costs, and generation and oversight costs, including a large thermal nuclear project. These activities identify the Administrator's load obligations, develop product plans and services to meet the needs of Bonneville customers and stakeholders, and acquire resources as needed. Consistent with the President's budget, this FY 2007 budget provides that ENW will refinance a portion of its debt in calendar years 2006 and 2007 and that the effects of the anticipated debt optimization refinancing are recognized in FYs 2006 and 2007. The additional cash freed up from these future refinancings (\$70 million in FY 2006 and \$312 million in 2007) will be used to pay down BPA Federal debt.

As a means of mitigating power market risk, Bonneville's Hedging Policy allows the use of financial instruments in the power, natural gas, aluminum, and interest rate markets to hedge the price of electricity and reduce Bonneville's exposure to market fluctuations and certain index sales contract provisions. BPA has established controls to mitigate risk associated with its hedging activity including designing and documenting hedging strategies, analysis and testing of the strategies, financial reviews of parties prior to BPA conducting hedging transactions with them, and approval processes of transactions by the Transaction Risk Management Committee and appropriate BPA managers.

Associated Projects provide funding for operation and maintenance costs for the FCRPS, minor additions, improvements and replacements, and liabilities of the Corps and Bureau hydroelectric projects in the Pacific Northwest, which serve many purposes. All agencies emphasize efficient power production from existing facilities and improvement of the performance and availability of power generating units. Bonneville pays additional financing costs of the FCRPS facilities through its Interest Expense and Capital Transfer budget programs. Bonneville provides funding for the operations and maintenance costs that are part of the Lower Snake River Compensation

Plan (LSRCP) hatcheries. Bonneville is responsible for annual payments to the Confederated Tribes of the Colville Reservation for their claims concerning their contribution to the production of hydropower by the Grand Coulee Dam in accordance with the Settlement Agreement between the United States and the Tribes (April 1994).

Bonneville's Fish and Wildlife Program provides for the protection, enhancement, and mitigation of Columbia River Basin fish and wildlife due to losses attributed to the development and operation of federal hydroelectric projects on the Columbia River and its tributaries from which Bonneville markets power. Bonneville satisfies a major portion of its fish and wildlife responsibilities pursuant to Section 4(h) of the Northwest Power Act by funding projects and activities designed to be consistent with the Council Fish and Wildlife Program.

Bonneville is also mandated to implement measures called for under the ESA. These measures are part of the biological opinions issued in November 2004 by the NOAA Fisheries and in 2000 by the USFWS to address the effects of the operation of the FCRPS on threatened and endangered salmon and steelhead and ESA-listed Kootenai River – white sturgeon and bull trout. The biological opinions require the FCRPS Action Agencies to implement actions in the Columbia River Basin that address impacts on the Federal hydrosystem on ESA-listed fish to ensure that operation of the FCRPS does not jeopardize the continued existence of listed species or adversely modify their designated critical habitat. The NOAA 2000 Biological Opinion on the FCRPS was challenged in Federal District Court and found to be legally invalid. The Court remanded it to NOAA to issue an opinion consistent with the Court's holdings. The revised opinion was issued on November 30, 2004 (NOAA Fisheries 2004 Biological Opinion or 2004 BiOp). In February 2005, the FCRPS Action Agencies published an implementation plan for their proposed action addressed in the NOAA Fisheries 2004 Biological Opinion.

The NOAA Fisheries 2004 Biological Opinion was also challenged in Federal District Court. In October 2005, the District Court invalidated the 2004 BiOp, although leaving it "in place" during the one year remand period. The Judge also ordered the sovereign parties to collaborate during the remand process, to try to find an acceptable approach for the 2004 BiOp that would have regional support. In December, the Department of Justice filed a notice to appeal the District Court's October 2005 remand order. However, the Federal parties continue to support the court ordered collaboration on the 2004 BiOp, even though an appeal has been filed. There have also been 2 instances of litigation seeking injunctive relief on the FCRPS this year. In June, the Court ordered NWF's request for increased summer spill but denied their request to increase water velocity by 10 percent on the Snake and Columbia Rivers. The judge also required the parties to engage in collaboration to attempt to resolve the issues concerning potential flow augmentation. Because the collaboration did not achieve resolution of the flow augmentation issue, NWF filed another request for injunction on November 1. On December 29th, the Court partially granted and partially denied the request for injunction. In 2006 (the timeframe of the injunction), the FCRPS will continue to spill during both the Spring and the Summer (as it had during 2005), although the Summer spill portion of the order is based upon the Corps's proposed spill operation, rather than spill operation proposed by NWF.

Bonneville's fish and wildlife expenditures funds will focus on activities that benefit Columbia River Basin fish and wildlife resources including projects, consistent with priorities established in newly adopted Northwest Power and Conservation Council's Sub-basin Plans, designed to:

- increase survival of ESA-listed and non-listed fish at FCRPS dams and reservoirs;



- increase survival of ESA-listed and non-listed fish throughout their life cycle by protecting and enhancing important habitat areas;
- reform hatchery practices and use hatcheries to contribute to conservation and recovery of ESA-listed and non-listed fish;
- provide for offsite mitigation projects for habitat, passage, and other improvements that address limiting factors for target species as defined in Sub-basin Plans;
- reduce harvest-related mortality on ESA-listed and non-listed fish and support sustainable fisheries; and,
- support a focused and well-coordinated research, monitoring, and evaluation program.

To the extent possible, Bonneville is integrating the actions implemented in response to the FCRPS Biological Opinions with projects implemented under the Council's Fish and Wildlife Program. Recently completed Sub-basin Plans that include prioritized strategies for mitigation actions will help guide project selection that meets both BPA's ESA and Northwest Power Act responsibilities. Discussion of a minimum cost-sharing requirement for fish and wildlife projects funded by BPA in 2007 and beyond is occurring in currently ongoing long-term funding discussions with the Council and the regional fish and wildlife manager, customers, and Tribes. As part of this long term funding discussion for the Integrated Fish and Wildlife Program, BPA has recommended a reorientation of the program that places greater emphasis on projects that are performance based and deliver more results on-the ground. Recommended guidelines are 70 percent of overall program funding for on the ground projects such as habitat protection, enhancement, tributary passage, screening and hatchery efforts; 25 percent to research, monitoring and evaluation (RM&E); and 5 percent for coordination, data management and administration. These estimates as well as those for other BPA fish program costs may change, however, depending upon changing circumstances including the long-term effect of the Federal district court decision on the NOAA Fisheries 2004 Biological Opinion.

The FY 1997 Energy and Water Development Appropriations Act added section 4(h)(10)(D) to the Northwest Power Act, directing the Council to appoint an ISRP "to review a sufficient number of projects" proposed to be funded through Bonneville's fish and wildlife budget "to adequately ensure that the list of prioritized projects recommended is consistent with the Council's program," And, "... in making its recommendations to Bonneville, the Council shall consider the impact of ocean conditions on fish and wildlife populations; and shall determine whether the projects employ cost effective measures to achieve program objectives." The Conference Report on the FY 1999 Energy and Water Development Appropriations Act included a new assignment for the ISRP and the Council. The ISRP was to review the fish and wildlife projects, programs, or measures included in Federal agency budgets that are reimbursed, and/or directly funded, by Bonneville and to make funding recommendations to Congress. The ISRP was directed to determine whether the proposals are consistent with the scientific criteria in the Northwest Power Act as amended in 1996, and provide a report to the Council by April 1 of each year. The Council, in turn, must report to the Congress annually by May 15. Consequently, projects funded by Bonneville under the Program must be reviewed and prioritized as part of the Council recommendation process.

Consistent with the principles of the Federal Caucus' All-H Strategy, Bonneville is implementing much of the off-site mitigation actions required by the FCRPS Biological Opinions through the Council's Fish and Wildlife Program. Under the Northwest Power Act, the Fish and Wildlife Program is tasked with protecting and mitigating the Columbia River Basin fish and wildlife affected by the development and operation of all hydroelectric projects in the basin.

The Northwest Power Act created the Residential Exchange Program (REP) to extend the benefits of low-cost Federal power to the residential and small farm customers of Pacific Northwest electric utilities that meet certain conditions. The 1996 Comprehensive Regional Review recommended that Bonneville engage in settlement discussions regarding the Residential Exchange. Bonneville then developed a Subscription Strategy based on the recommendations of the Comprehensive Review. That strategy proposed a comprehensive settlement of the REP for IOUs in the Pacific Northwest, which has resulted in new contracts with regional IOUs that provide power and monetary benefits to their residential and small farm customers.

To settle the REP with the IOUs, IOU customers were offered 1,900 aMW in power and monetary benefits for the FY 2002-2006 rate period. The monetary benefits are calculated based on the forecast of the cost of purchasing the power in the market that was used in the June 2001 Supplemental Rate Proposal, less the rate used for sale of power to the IOU customers, adjusting for the CRACs. All six regional IOUs signed contracts in the fall of 2000 implementing this settlement of the Residential Exchange. They originally were to receive 1,000 aMW of power and 900 aMW in monetary benefits for FY 2002-2006, but two IOUs subsequently sold 619 aMW of power back to Bonneville as part of Bonneville's rate mitigation efforts for FY 2002. In addition, three other IOUs triggered the clause in their contracts to convert their power purchases to financial payments. In FY 2007 the total amount of settlement benefits changes to 2,200 aMW. New contracts signed with all IOUs in May 2004 specified, among other provisions that the 2,200 aMW in benefits would be provided entirely as monetary benefits.

Bonneville's preference utilities, or public agency utilities, have been eligible to execute new contracts since October 2001, except for the nine utilities that previously executed settlement agreements for terms ending July 1, 2011. One public agency customer has requested a contract for participation. Other public agency customers may also request a contract for participation.

The Northwest Power Act directs that expenses of the Council, subject to certain limits based on forecasted Bonneville power sales, shall be included in Bonneville's annual budget to Congress. Funding for the Council is provided by Bonneville and is recovered through Bonneville power rates. Its major activities include the periodic preparation of a Northwest Conservation and Electric Power Plan (a 20-year electric energy demand and resources forecast and energy conservation program) and a Columbia River Basin Fish and Wildlife Program of loss mitigation and resource enhancement actions.

The competitive market situation is driving the need for alternatives to the traditional approaches to developing conservation resources. The PBL will acquire conservation in accordance with the Council's guidance and act as a catalyst for energy efficiency and direct application renewables.

These resources will provide a vital component of PBL's diversified resource portfolio that will: 1) meet conservation targets; 2) achieve a least cost resource mix; 3) dampen the cost impacts of power purchases; 4) avoid the costs of ramping programs and infrastructure up and down; 5) extend the value of the FCRPS to customers; and 6) build the region's resource portfolio with conservation and direct application renewables. Bonneville also is exploring how best to integrate demand-side management, distributed generation, and other leading edge technologies (i.e. Energy Web program and non wires solutions) into its transmission planning process.

## Detailed Justification

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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**Production** ..... **1,290,992   1,363,311   974,942**

- **Power Purchases:** Includes purchase power for efficient operation of the power system, fish mitigation, and resale. Due to higher and more volatile market prices in 2001, Bonneville was subject to much greater demand for service from its customers for FYs 2002-2006. This increase in load required that Bonneville make substantially greater power purchases in the market.
  
- **Power Scheduling/Marketing:** Schedule and market (buy/sell) electric energy with Bonneville customers and the Pacific Northwest's interconnected utilities. Scheduling includes PBL's implementation of physical and memo power schedules and associated transmission schedules, implementation of Electronic Tagging (ETag) in accordance with NERC and in accordance with FERC, implementation of electronic scheduling and the RTO as it evolves. PBL's development of a new Transaction Scheduling System will facilitate the above needs.
  
- **Trojan:** Decommissioning activities are complete and the Trojan operating license has been terminated by the NRC. BPA's 30 percent share of the demolition of buildings and site restoration activities will continue in the FY 2006 – FY 2008 period.
  
- **Columbia Generating Station (formerly WNP-2):** Continue to acquire full capability of Columbia Generating Station (Columbia). Columbia is on a 24-month fuel and outage cycle. A maintenance and refueling outage is planned for FY 2007.
  
- **WNP-1/WNP-3:** Continue to fulfill contractual obligations for WNP-1 and WNP-3.
  
- **Long-Term Power Purchases and Wheeling:** Continue to acquire 100 percent of the output of the Foote Creek 2 and 4 wind projects and a 15-kW share of the output from the Solar Ashland Project. Continue to acquire 90 MWs of Stateline wind project. Continue to acquire 100 percent of the output of the Condon and Klondike wind projects. Continue to fund the White Bluffs solar project through April 2006.
  
- **Generation and Oversight:**  
FY 2005: Continued to provide oversight of all contracts signed to date. Completed the NEPA process for the Maiden Wind project. Provided oversight of large thermal generating plants from which Bonneville purchases capability to ensure that all Bonneville approval rights are protected; coordinated, communicated, and administered agreements, issues, and programs between Bonneville and the project owners. Continued to make decisions whether to acquire a share of the output from additional renewable generation projects and/or provide resource integration services for additional renewable generation.

FY 2006: Continue to provide oversight of all contracts signed to date. Provide oversight

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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of large thermal generating plants from which Bonneville purchases capability to ensure that all Bonneville approval rights are protected; coordinate, communicate, and administer agreements, issues, and programs between Bonneville and the project owners. Continue to provide wind resource integration services for customer wind generation.

FY 2007: Continue to provide oversight of all contracts signed to date. Work with regional stakeholders to determine which (if any) products, actions or investments BPA should pursue to best facilitate renewable development in the Pacific Northwest. Continue to provide wind resource integration services for customer wind generation.

**Associated Project Costs . . . . . 233,331 250,399 268,741**

- Support FCRPS project costs and work to strengthen relationships to improve project support and better understand project costs. This helps to maintain FCRPS system integrity and to attain BPA's strategic business objectives.

■ Bureau of Reclamation:

FY 2005: Continued direct funding Bureau O&M power activities.

FY 2006: Continue direct funding Bureau O&M power activities.

FY 2007: Continue direct funding Bureau O&M power activities.

■ Corps of Engineers:

FY 2005: Continued direct funding Corps O&M power activities.

FY 2006: Continue direct funding Corps O&M power activities.

FY 2007: Continue direct funding Corps O&M power activities.

**Fish and Wildlife . . . . . 152,862 138,504 142,484**

- In a manner consistent with the assumptions used for the power PFR process:  
New subbasin plans have been completed that describe management objectives and priorities for fish and wildlife within the Columbia River Basin. This effort has provided the basis for a new solicitation of proposals for potential funding by BPA and other responsible parties beginning in FY 2007. However, this solicitation and funding decisions for specific projects will not occur until the summer of 2006.

Anadromous Fish: Continue implementing both ongoing and new projects that support ESA-listed species and other measures called for under the NOAA Fisheries 2004 Biological Opinion and amended FCRPS Action Agency proposal and prioritized projects that address the factors that limit mitigation success as identified in the new subbasin plans and that fulfill BPA's responsibility for mitigation of the FCRPS. Implement and develop activities that protect and enhance tributary and estuary habitat, improve mainstream habitat on an experimental basis, reduce potentially harmful hatchery practices, and contribute to sustainable fisheries. These activities have been selected in response to the Northwest Power Act section 2(6) to "protect, mitigate and enhance fish and wildlife including related spawning grounds and habitat on the Columbia River and its tributaries."

Resident Fish: Implement activities to determine the impacts of the FCRPS on bull trout and mitigate for those impacts, and promote the reproduction and recruitment of Kootenai

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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River white sturgeon. These activities have been selected in response to the USFWS 2000 Biological Opinion and the Northwest Power Act to “protect, mitigate and enhance fish and wildlife including related spawning grounds and habitat on the Columbia River and its tributaries.”

Continue mitigation in resident fish for anadromous losses (substitution), mitigation for reservoir operation impacts to resident fish, and continue to refine, quantify, and delineate the difference between the two.

Wildlife: Use existing Bonneville policies to continue the current program including funding for wildlife actions resulting from Council Fish and Wildlife Program amendments for wildlife mitigation. These activities have been selected in response to the Northwest Power Act to “protect, mitigate and enhance fish and wildlife including related spawning grounds and habitat on the Columbia River and its tributaries.” Those wildlife acquisition projects that meet BPA’s capitalization policy will be funded under the capital portion of Bonneville’s fish and wildlife budget.

<b>Residential Exchange</b> .....	<b>144,073</b>	<b>137,810</b>	<b>323,000</b>
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- Includes negotiated contract settlement agreement costs related to monetary benefits.

<b>Northwest Power and Conservation Council</b> .....	<b>8,650</b>	<b>8,700</b>	<b>9,085</b>
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- Continue support of the Council activities, as directed under the Northwest Power Act, including regional power plan development and maintenance, and fish and wildlife program activities.

<b>Conservation and Energy Efficiency</b> .....	<b>82,841</b>	<b>64,190</b>	<b>69,288</b>
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- Continue close-out of the legacy conservation resource acquisition contracts, which support Bonneville’s contractual obligation to serve customer load growth.
- Provide credible, unbiased information or technical or financial support to conservation purposes. As an agency of the DOE, and with independent responsibilities based on its authorizing legislation, Bonneville has a statutory responsibility to provide support to certain conservation objectives that are governmental in nature, such as assisting in the development of emerging technologies and providing unbiased information to consumers. Bonneville is participating with other regional entities to support market transformation and development activities that meet the needs of Bonneville customers and create business opportunities for the private sector in the Pacific Northwest.
- Seek to make the existing energy efficiency marketplace larger by helping to remove barriers which customers face in the development of conservation projects. This opens up possibilities that have previously been foreclosed, thus serving to “grow the pie” or expand business opportunities for our private and public sector partners. This activity must be self-supporting; that is, payments from customers must cover all of the costs of performing the service.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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- Create and enhance markets for energy efficiency and end-use renewables through delivery of public benefits. Promote the development and implementation of new energy efficiency technologies. Provide leadership and collaborative funding for market transformation initiatives. Continue activities being performed through the regionally funded Northwest Energy Efficiency Alliance through a multi-party agreement that was signed in 2000 and extended at the same funding level in 2004. Support the Energy Web, a program advancing innovation and deployment of new energy technologies. This program will: 1) provide benefit to the Pacific Northwest; 2) promote standards and technology development deployment to achieve business benefits for Bonneville and its customers; and 3) promote the “Green” aspects of the Energy Web. Implications of participation in Energy Web development include:

- Improve integration and consideration of non-wires solutions in the transmission planning process.
- Diversify Bonneville risk hedges to include physical alternatives such as demand reductions and peak generation.
- Demonstrate potential to reduce peak loads and transmission needs.
- Clarify location benefits associated with peak load reduction, power and system reliability, power quality, and avoiding greenhouse gas production.

<b>Total, Power Business Line – Operating Expense . . .</b>	<b>1,912,749</b>	<b>1,962,914</b>	<b>1,787,540</b>
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### Explanation of Funding Changes

FY 2007 vs, FY 2006 (\$000)
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#### Production

- Decrease reflects primarily a decrease in Energy Northwest Project debt service due to the effects of assumed debt optimization and decreasing power purchases over the FY 2007-2009 rate period and the elimination of power augmentation purchases . . . . . -388,369

#### Associated Project Costs

- Increase due to security, biological opinion requirements, and improvements, replacements, and minor additions at the projects . . . . . +18,342

#### Fish and Wildlife

- Small increase reflects funding associated with Biological Opinion activities +3,980
- Increase due to REP settlement agreement provision for increased monetary benefits starting in FY 2007 as part of rate mitigation efforts over the FY 2002-

		<div> <div>FY 2007</div> <div>vs,</div> <div>FY 2006</div> <div>(\$000)</div> </div>
<b>Production</b>		
2006 rate period. ....		+185,190
<b>Northwest Power and Conservation Council</b>		
■ Small increase reflects continuing Council program activities .....		+385
<b>Conservation and Energy Efficiency</b>		
■ Increase reflects added emphasis on conservation activities and performance targets .....		+5,098
<b>Total Funding Change, Power Business Line - Operating Expense .....</b>		<b>-175,374</b>

## Transmission Business Line - Operating Expense

### Funding Schedule by Activity

	(accrued expenditures) (dollars in thousands)		
Transmission Business Line - Operating Expense	FY 2005	FY 2006	FY 2007
Engineering .....	34,909	37,719	35,832
Operations .....	93,883	106,568	104,177
Maintenance .....	122,224	126,299	125,213
Total, Transmission Business Line - Operating Expense .....	251,016	270,586	265,222

### Outyear Funding Schedule

	(accrued expenditures) (dollars in thousands)			
	FY 2008	FY 2009	FY 2010	FY 2011
Total, Transmission Business Line - Operating Expense .....	268,306	273,201	277,120	282,792

### Description

This activity provides for the transmission system services of engineering, operations, and maintenance for Bonneville's electric transmission system of over 15,000 circuit miles (24,135 circuit kilometers) of lines, 284 substations, and associated power system control and communication facilities with an invested cost of more than \$4.8 billion. Primary strategies of this program are: 1) maintain the safety and reliability of the transmission system; 2) increase the focus on customers; 3) optimize the transmission system; and 4) provide open and nondiscriminatory transmission access; and 5) improve Bonneville's cost effectiveness.

### Detailed Justification

	(dollars in thousands)		
	FY 2005	FY 2006	FY 2007
<b>Engineering .....</b>	<b>34,909</b>	<b>37,719</b>	<b>35,832</b>

Continue efforts to identify best methods for improving system reliability and maintenance practices, and continue cost reduction efforts by identifying opportunities for low-cost reinforcement and voltage support of the existing transmission system.



(dollars in thousands)

FY 2005	FY 2006	FY 2007
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- R&D: Conduct in-house transmission system research and development, including (1) studies on reliability, HVDC (high voltage direct current) and HVAC outage reduction, (2) methods to update existing facilities and reduce maintenance costs including reliability-centered monitoring and recording methods for analysis.
- Technical Support: Provide technical support activities, such as transmission system planning and studies to optimize portions of the system. Provide support for non-wires solutions studies and pilot projects.
- Capital-to-Expense Adjustments: Conduct annual analysis of Bonneville's outstanding capital work orders to assess whether they should be expensed.
- Reimbursable Transactions: Enter into written agreements with Federal and non-Federal entities that have work or services to be performed by Bonneville staff at the expense of the benefiting utilities. The projects must be beneficial, under agreed upon criteria, to Bonneville operations and to the Federal or non-Federal entity involved. Additionally, these activities contribute to more efficient or reliable construction of the Federal transmission system or otherwise enhance electric service to the region.
- Leased and Other Costs: Includes leases and other costs of transmission, delivery and voltage support facilities when such arrangements are operationally feasible and cost effective to deliver power.

**Operations . . . . . 93,883 106,568 104,177**

- FY 2005: Continued to operate within parameters of regional transmission authorities. Prepared for increased complexity of outage scheduling, transmission scheduling, and dispatching, as well as impact of an expected high attrition rate of skilled operation dispatching workforce by recruiting and training apprentices and skilled replacements. Continued development and implementation of business systems and tools. Participated in planning and preparation for potential establishment of a regional transmission organization (RTO).
- FY 2006: Continue to operate within parameters of regional transmission authorities. Continue preparation for increased complexity of outage scheduling, transmission scheduling, and dispatching, as well as impact of an expected high attrition rate of skilled operation dispatching workforce by recruiting and training apprentices and skilled replacements. Continue development and implementation of business systems and tools. Participate in planning and preparation for potential establishment of an RTO.

(dollars in thousands)

FY 2005	FY 2006	FY 2007
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- FY 2007: Continue to operate within parameters of regional transmission authorities. Continue preparation for increased complexity of outage scheduling, transmission scheduling, and dispatching, as well as impact of an expected high attrition rate of skilled operation dispatching workforce by recruiting and training students, apprentices, and skilled replacements. Continue development and implementation of business systems and tools. Participate in planning and preparation for potential establishment of an RTO.
- Substation Operations: Perform operations functions necessary to provide electric service to customers and to protect the Federal investment in electric equipment. Includes equipment adjustments, switching lines and equipment during emergencies or maintenance, isolating damaged equipment, restoring service to customers, and inspecting equipment, reading meters, et cetera.
- Power System Control and Dispatching: Perform central dispatching, control, and monitoring of the electric operation of the Federal transmission system. Also includes load, frequency, and voltage control of Federal generating plants, and operation of the system control and data computers at Dittmer and Munro Control Centers.
- Marketing, Sales, and Services: Provide management and direction of transmission rates, and provide business strategy in marketing of transmission and ancillary products and services of the Transmission Business Line. Involve customers and constituents in the process of product and rate development. Maintain accurate and complete historical records of current and past transmission agreements. Provide guidance for current and future transmission contract negotiations. Provide financial analysis of market strategies. Monitor and report on the financial health of the transmission business line. Support cost management by effective reporting and analysis of current expenditures. Ensure official budget submittals reflect current management financial strategies and adequately fund transmission programs.
- Transmission Scheduling: Provide open access to the Federal transmission system consistent with the Open Access Transmission Tariff approved by FERC. Schedule and market transmission capacity to Bonneville customers, California ISO, and Pacific Northwest's interconnected utilities. Manage the reservations and scheduling of all transmission services associated with the Open Access Transmission Tariff.

	FY 2005	FY 2006	FY 2007
<b>Maintenance</b> .....	<b>122,224</b>	<b>126,299</b>	<b>125,213</b>

In all aspects of maintenance, Bonneville is continuing the implementation of Reliability-Centered Maintenance (RCM) practices. This change is focused on improving system reliability and increasing availability in a deregulated market. Access road maintenance costs are expected to increase dramatically as Bonneville addresses the aging roads system and environmental constraints associated with construction, enhancement, and maintenance of access roads. The Bonneville transmission system encompasses approximately 50,000 miles of access roads (many of these roads are through rugged, inaccessible terrain). Cost for maintenance activities are budgeted at \$1,000,000 annually.

- FY 2005: Continued to refine RCM practices at all of Bonneville's O&M regions. Continued to improve performance meeting System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) targets. Continued efforts to achieve the SAIFI and SAIDI targets of no control chart violations for circuit importance categories 1-2 (highest importance), and not more than one violation for category 4. Control charts are statistically based graphs that illustrate variability in performance. Continued to improve availability performance in a deregulated market by utilizing more efficient and cost-effective maintenance work practices and outage coordination. Used recruitment incentives to ensure succession of the current work force and remain competitive as an employer in the utility industry. Assured a safe work environment through safety awareness and improved work practices. Increased outage scheduling planning to increase customer satisfaction. Continued high levels of vegetation management and increased access road work to provide reliable access to facilities and ensure environmental compliance.
  
- FY 2006: Continue to refine RCM practices at all of Bonneville's O&M regions. Continue to improve performance to meet SAIFI and SAIDI targets as explained above. Continue to improve system availability performance through new maintenance procedures and work practices. Continue to prepare for the impact of an expected high attrition rate among Bonneville's aging workforce by recruiting apprentices and replacements for critical minimum crew size workload positions. Increase outage scheduling and coordination planning to increase customer satisfaction and system availability. Increase emphasis on non-electric facilities to compensate for years of deferral. Continue high emphasis of vegetation management, implementation of an aggressive access road management plan to maintain roads at a level that minimizes response time, increases reliability, and ensures environmental compliance.

FY 2005	FY 2006	FY 2007
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- FY 2007: Continue to improve performance to meet SAIFI and SAIDI targets as explained above. Continue to improve system availability performance through new maintenance procedures and work practices. Continue to prepare for the impact of an expected high attrition rate among Bonneville's aging workforce by recruiting apprentices and replacements for critical minimum crew size workload positions. Increase outage-scheduling planning and coordination to increase customer satisfaction and system availability. Maintain vegetation management levels to ensure system reliability. Continue access road work to provide reliable access to facilities and ensure environmental compliance.
- Transmission Line Maintenance: Maintain and repair nearly 15,000 circuit miles (24,135 km) of high voltage transmission lines, of which over 6,436 km (4,000 circuit miles) are 500-kV transmission EHV (extra-high voltage), for which maintenance is two and one-half times more labor-intensive than maintenance of lower transmission voltages, although more efficient in transmission of power. This responsibility includes maintaining transmission rights-of-way to ensure system reliability, safety, and environmental compliance. Adopt work practices that improve system availability and reliability.
- Substation Maintenance: Maintain and repair the transmission system power equipment located in Bonneville's 284 substations. Work includes inspections, diagnostic testing, and predictive and condition based maintenance.
- System Protection Maintenance: Maintain relaying metering and remedial action scheme equipment used to control and protect the electrical transmission system and to meter energy transfers for the purpose of revenue billing. Additionally, field-engineering services provide technical advice and assure the correct operation of power system relaying and special control systems used to support interregional energy transmission capabilities.
- Power System Control Maintenance: Test, repair, and provide field engineering support of Bonneville's highly complex equipment, communications, and control systems, including seven major microwave systems, fiber optic systems, and other critical communications and control equipment that support the power system.
- Non-Electric Plant Maintenance: Maintain Bonneville's non-electric facilities. Includes site, building, and building utility maintenance; custodial services; station utility; and other maintenance service activities on Bonneville-owned or Bonneville-leased non-electric facilities.

FY 2005	FY 2006	FY 2007
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- Maintenance Standards and Engineering: Establish, monitor, and update system maintenance standards, policies, and procedures, and review and update long-range plans for maintenance of the electric power transmission system.

<b>Total, Transmission Business Line - Operating Expense .....</b>	<b>251,016</b>	<b>270,586</b>	<b>265,222</b>
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### Explanation of Funding Changes

FY 2007 vs. FY 2006 (\$000)
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#### Engineering

- Decrease reflects efficiencies anticipated in program activities due to implementation of the TBL Efficiencies Process Improvement Project. . -1,887

#### Operations

- Decrease reflects efficiencies anticipated in program activities due to implementation of the TBL Efficiencies Process Improvement Project. . -2,391

#### Maintenance

- Decrease primarily due to continuing cost efficiencies within the program . . . . . -1,086

<b>Total Funding Change, Transmission Business Line – Operating Expense. . . . .</b>	<b>-5,364</b>
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## Interest, Pension and Post-retirement Benefits - Operating Expense and Capital Transfers

### Funding Schedule by Activity

(accrued expenditures) (dollars in thousands)			
	FY 2005	FY 2006	FY 2007
Interest, Pension and Post-retirement Benefits			
BPA Bond Interest (Net) . . . . .	120,349	121,072	147,593
BPA Appropriation Interest . . . . .	48,150	46,429	42,886
Corps of Engineers			
Appropriation Interest . . . . .	154,288	150,241	141,714
Lower Snake River Comp Plan			
Interest . . . . .	16,462	16,466	16,466
Bureau of Reclamation			
Appropriation Interest . . . . .	42,999	42,442	42,442
Subtotal, Interest – Operating Expense	382,248	376,650	391,101
Pension and Post-retirement Benefits . . . . .	26,500	23,150	21,100
Total, Interest, Pension and Post-retirement Benefits . . . . .	408,748	399,800	412,201

### Outyear Funding Schedule

(accrued expenditures) (dollars in thousands)				
	FY 2008	FY 2009	FY 2010	FY 2011
Total, Interest, Pension and Post-retirement Benefits . . .	436,316	470,588	480,584	501,395

## Operating Expense

### Description

Interest expense provides for the payment of interest due on FCRPS debt. This consists of capital investment in FCRPS hydroelectric generating and transmission facilities of Bonneville, the Corps and the Bureau. Investments were financed by Congressional appropriations and Bonneville borrowings from the Treasury. Bonneville repays FCRPS debt through its power sales and transmission services revenues.

Since receiving Treasury borrowing authority in 1974 under the Transmission System Act, all Bonneville borrowing has been at market rates. As of Oct 1, 1996, all of Bonneville's

repayment obligations on FCRPS appropriated investment (Corps and Bureau FCRPS investment and Bonneville investment) financed with appropriations prior to the Transmission System Act that were unpaid as of Sept 30, 1996, were restructured and assigned new current-market interest rates. The Bonneville Appropriations Refinancing Act of 1996 called for resetting (reducing) the unpaid principal of FCRPS appropriations and reassigning (increasing) interest rates. New principal amounts were established as of the beginning of FY 1997 at the present value of the principal and annual interest payments Bonneville would make to the Treasury for these obligations in the absence of the legislation, plus \$100 million. The new principal amounts are then assigned new interest rates based on the Treasury yield curve rates prevailing at the end of FY 1996. Bonneville's outstanding repayment obligations on appropriations at the end of FY 1996 were \$6.7 billion with a weighted average interest rate of 3.4 percent. The refinancing reduced the principal amount to \$4.1 billion with a weighted average interest rate of 7.1 percent. Implementation of the refinancing took place in 1997 after audited actual financial data was available. As called for in the legislation, Bonneville submitted its calculations and interest rate assignments implementing the Bonneville Appropriations Refinancing Act to Treasury for their review and approval. Treasury approved the implementation calculations in July 1997. The Act also calls for all future FCRPS appropriations to be assigned prevailing Treasury yield curve interest rates.

Interest estimates are a direct function of costs of Treasury borrowing to Bonneville, repayment status of outstanding FCRPS investments, and projected additions to FCRPS plant in service. These estimates may change over time depending on forecasted market conditions. The interest cost estimates below include the impact of Bonneville's appropriation refinancing legislation.

Bonneville has been paying its unfunded liability of the Civil Service Retirement System (CSRS) and post-retirement benefits into the General Fund of the Treasury (receipt account 892889) since FY 1998. These payments are consistent with the FY 2001 Administration's budget which assumed Bonneville would prospectively cover the full unfunded liability that accrues in fiscal years after FY 1997 of the Civil Service Retirement and Disability Fund (Disability Fund), the Employees Health Benefits Fund (Health Fund), and the Employees Life Insurance Fund (Insurance Fund) that it had not covered prior to FY 1998. As part of the FY 2001 Administration's Budget, Bonneville assumed its entire CSRS cost recovery would be phased in over a 10-year period, given that wholesale power and transmission rates for Bonneville were contractually frozen until the end of FY 2001 in order to meet competitive market pressures. Bonneville paid \$26.5 million in FY 2005 and for the remainder of the 10-year period, the following amounts are assumed to be recovered by Bonneville through rates and paid into the General Fund of the Treasury: \$23.2 million in FY 2006, and \$21.1 million in FY 2007. BPA expects to satisfy its prior year commitments for under funded CSRS and post-retirement benefits by FY 2007. Cost estimates include pension and post-retirement benefits for Bonneville and the power-related portion of the Corps, Bureau, and USFWS.

## Capital Transfers

### Funding Schedule by Activity

	(accrued expenditures) (dollars in thousands)		
	FY 2005	FY 2006	FY 2007
Capital Transfers			
BPA Bond Amortization .....	438,500	250,000	221,057
Additional BPA Bond Amortization dependent on secondary revenues .	0	0	369,000
Additional BPA Bond Amortization dependent on debt optimization ..	0		168,000
Reclamation Appropriation Amortization .....	0	7	229
BPA Appropriation Amortization .....	65,172	50,369	17,600
Corps Appropriation Amortization .....	154,311	136,407	101,687
Total, Capital Transfers .....	657,983	436,783	877,573

### Outyear Funding Schedule

	(accrued expenditures) (dollars in thousands)			
	FY 2008	FY 2009	FY 2010	FY 2011
Total, Capital Transfers .....	467,051	453,723	459,049	461,962

## Description

This activity conveys funds to the Treasury for repayment of certain FCRPS costs not included in the Associated Project Costs budget. Since capital transfers are cash transactions, they are not considered budget obligations. The total FY 2005 Capital Transfers amount includes \$313 million of advanced amortization or prepayment of Treasury debt consistent with BPA's capital strategy plan and debt optimization plan. The cumulative amount of actual advance amortization payments as of the end of FY 2005 was about \$1,460 million.

This FY 2007 budget assumes, beginning in FY 2007, advance amortization payments to the Treasury on BPA's bond obligations. The advance payments are dependent on realizing an equivalent amount of assumed net secondary revenues over \$500 million and anticipated FYs 2006 and 2007 debt optimization refinancing of ENW obligations, consistent with the President's budget. Actual associated revenues could vary due to volatility of secondary power markets, streamflow variability, volatility of financial markets effecting ENW debt optimization, and other uncertainties. Actual amortization amounts may vary.



**BONNEVILLE POWER ADMINISTRATION**  
**TOTAL OBLIGATIONS/OUTLAYS**

Current Services  
(in millions of dollars)

KFF 30-Jan-06

**BP-1 SUMMARY**

1,3/

- 1 Residential Exchange
- 2 Power Business Line 2/
- 3 Transmission Business Line
- 4 Conservation & Energy Efficiency
- 5 Fish & Wildlife
- 6 Interest/ Pension 4/
- 7 Associated Project Cost - Capital
- 8 Capital Equipment
- 3 Planning Council
- 10 Misc. Accounting Adjs.
- 11 Projects Funded in Advance
- 12 Capitalized Bond Premiums
- TOTAL OBLIGATIONS/OUTLAYS 3/**

2005		2006		2007		2008	2009	2010	2011
Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
144	144	138	138	323	323	323	323	323	323
1,524	1,524	1,614	1,614	1,244	1,244	1,439	1,497	1,502	1,576
393	393	472	472	517	517	552	525	576	593
98	98	108	108	101	101	100	100	108	108
165	165	175	175	178	178	178	178	178	178
409	409	400	400	412	412	436	471	481	501
88	88	130	130	133	133	145	137	123	124
13	13	26	26	24	24	28	24	25	24
9	9	9	9	9	9	9	9	10	10
0	0	0	0	0	0	0	0	0	0
80	80	72	72	95	95	72	115	119	70
0	0	0	0	0	0	5	3	3	3
<b>2,923</b>	<b>2,923</b>	<b>3,144</b>	<b>3,144</b>	<b>3,036</b>	<b>3,036</b>	<b>3,287</b>	<b>3,382</b>	<b>3,448</b>	<b>3,510</b>

# REVENUES AND REIMBURSEMENTS

Current Services  
(in millions of dollars)

FISCAL YEAR

## BP-1 SUMMARY

	2005		2006		2007		2008	2009	2010	2011
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
13 Revenues 5/	3,174	3,174	3,152	3,152	3,431	3,431	3,330	3,437	3,409	3,520
14 Project Funded in Advance	80	80	72	72	95	95	72	115	119	70
15 <b>TOTAL</b>	<b>3,254</b>	<b>3,254</b>	<b>3,224</b>	<b>3,224</b>	<b>3,526</b>	<b>3,526</b>	<b>3,402</b>	<b>3,552</b>	<b>3,528</b>	<b>3,590</b>
<b>BUDGET AUTHORITY (NET)</b>	<b>(379)</b>		<b>(80)</b>		<b>(441)</b>		<b>(115)</b>	<b>(170)</b>	<b>(80)</b>	<b>(80)</b>
16 <b>OUTLAYS (NET) 6/</b>		<b>(155)</b>		<b>(80)</b>		<b>(480)</b>	<b>(115)</b>	<b>(170)</b>	<b>(80)</b>	<b>(80)</b>

The accompanying notes are an integral part of this table.

- 1/ This FY 2007 budget includes capital and expense estimates for the PBL based on the forecast of CRAC adjusted rates for FY 2006, the PFR and preliminary Initial Power Rate Proposal for FYs 2007-2009, adjusted to reflect anticipated FYs 2006 and 2007 debt optimization refinancing of ENW obligations, and associated Initial Power Rate Proposal outyear estimates for FYs 2010-2011. The TBL capital and expense estimates are based on the filed 2006-2007 transmission rate proposal.  
  
Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.  
  
Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.
- 2/ The Power Business Line (PBL) includes Fish & Wildlife, Residential Exchange, Planning Council, Conservation & Energy Efficiency and Associated Project Costs which have been shown separately for display purposes.
- 3/ This budget has been prepared in accordance with the Budget Enforcement Act (BEA) of 1990.  
Under this Act all BPA budget estimates are treated as mandatory and are not subject to the discretionary caps included in the BEA. These estimates support activities which are legally separate from discretionary activities and accounts. Thus, any changes to BPA estimates cannot be used to affect any other budget categories which have their own legal dollar caps. Because BPA operates within existing legislative authority, BPA is not subject to a Budget Enforcement "pay-as-you-go" test regarding its revision of current-law funding estimates.
- 4/ See Interest Expense, Pension and Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of these cost estimates.
- 5/ Revenues, included in the Net Outlay formulation, are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools, including upcoming Cost Recovery Adjustment Clause (CRAC) adjustments, reduced cost estimates, a net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Some of these potential tools will reduce costs rather than generate revenue, however causing the same net outlay result. Adjustments for depreciation and 4(h)(10)(C) are also assumed.
- 6/ Net Outlay estimates are based on current cost savings to date and anticipated cash management goals. They are expected to follow anticipated management decisions throughout the rate period that along with actual market conditions will impact revenues and expenses. Actual Net Outlays are volatile and are reported in SF-133. Estimated net outlay estimates could change due to changing market conditions, streamflow variability, and continuing restructuring of the electric industry.

**EXPENSED OBLIGATIONS/OUTLAYS 1,4/**

**Current Services**

(in millions of dollars)

**FISCAL YEAR**

	2005		2006		2007		2008	2009	2010	2011
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
1 Residential Exchange	144	144	138	138	323	323	323	323	323	323
2 Power Business Line 2/	1,524	1,524	1,614	1,614	1,244	1,244	1,439	1,497	1,502	1,576
3 Transmission Business Line	251	251	271	271	265	265	268	273	277	283
4 Conservation & Energy Efficiency	83	83	64	64	69	69	68	68	68	68
5 Fish & Wildlife	153	153	139	139	142	142	142	142	142	142
6 Interest/ Pension 3/	409	409	400	400	412	412	436	471	481	501
7 Planning Council	9	9	9	9	9	9	9	9	10	10
8 TOTAL EXPENSE	2,573	2573	2635	2635	2464	2464	2685	2783	2803	2903
10 Projects Funded in Advance	80	80	72	72	95	95	72	115	119	70

**CAPITAL OBLIGATIONS/OUTLAYS**

Current Services  
(in millions of dollars)

**FISCAL YEAR**

**BP-2 continued**

	2005		2006		2007		2008	2009	2010	2011
	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Outlays	Oblig.	Oblig.	Oblig.	Oblig.
Conservation & Energy Efficiency	15	15	44	44	32	32	32	32	40	40
11 Transmission Business Line	142	142	201	201	252	252	284	252	299	310
12 Associated Project Cost	88	88	130	130	133	133	145	137	123	124
13 Fish & Wildlife	12	12	36	36	36	36	36	36	36	36
14 Capital Equipment	13	13	26	26	24	24	28	24	25	24
15 Capitalized Bond Premiums	0	0	0	0	0	0	5	3	3	3
16 TOTAL CAPITAL INVESTMENTS	270	270	437	437	477	477	530	484	526	537
17 TREASURY BORROWING AUTHORITY TO										
FINANCE CAPITAL OBLIGATIONS 4,5/	270		437		477		530	484	526	537
18 TREASURY BORROWING AUTHORITY										
TO FINANCE OTHER OBLIGATIONS	1		(81)		(89)		(179)	(200)	(147)	(154)
19 TOTAL TREASURY BORROWING AUTHORITY :	315		356		388		351	284	379	383

**The accompanying notes are an integral part of this table.**

1/ This FY 2007 budget includes capital and expense estimates for the PBL based on the forecast of CRAC adjusted rates for FY 2006, the PFR and preliminary Initial Power Rate Proposal for FYs 2007-2009, adjusted to reflect anticipated FYs 2006 and 2007 debt optimization refinancing of ENW obligations, and associated Initial Power Rate Proposal outyear estimates for FYs 2010-2011. The TBL capital and expense estimates are based on the filed 2006-2007 transmission rate proposal.

Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

2/ The Power Business Line (PBL) includes Fish & Wildlife, Residential Exchange, Planning Council, Conservation & Energy Efficiency and Associated Project Costs which have been shown separately for display purposes.

3/ See Interest Expense, Pension and Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of these cost estimates.

4/ This budget has been prepared in accordance with the Budget Enforcement Act (BEA) of 1990.

Under this Act all BPA budget estimates are treated as mandatory and are not subject to the discretionary caps included in the BEA. These estimates support activities which are legally separate from discretionary activities and accounts. Thus, any changes to BPA estimates cannot be used to affect any other budget categories which have their own legal dollar caps. Because BPA operates within existing legislative authority, BPA is not subject to a Budget Enforcement "pay-as-you-go" test regarding its revision of current-law funding estimates.

5/ Treasury Borrowing Authority to Finance Other Obligations represents the use of (positive), or building up of (negative), deferred borrowing. Deferred borrowing is created when Bonneville uses cash from revenues to liquidate capital obligations in lieu of Treasury borrowing. This creates the ability in future years to borrow money, when fiscally prudent, to liquidate revenue funded activities. The amount on this line, under the title "Treasury Borrowing Authority to Finance Other Obligations" represents the annual use or creation of deferred borrowing. OMB has requested that Bonneville show this deferred borrowing as a resource carried forward from year to year in the manner displayed here.

BP-3

**CURRENT SERVICES**  
(in millions of dollars)

**CAPITAL TRANSFERS**

	2005 Pymts	2006 Pymts	FISCAL YEAR				
			2007 Pymts	2008 Pymts	2009 Pymts	2010 Pymts	2011 Pymts
Amortization:							
20 BPA Bonds	439	250	221	241	132	120	182
20a Increase in BPA Bond dependent on debt optimization	0	0	369	0	0	0	0
20b Increase in BPA Bond dependent on net secondary revenues	0	0	168	88	83	80	80
21 Reclamation Appropriations	0	0	0	1	0	0	0
22 BPA Appropriations	65	50	18	60	128	127	108
23 Corps Appropriations	154	136	102	77	111	132	93
24 <b>TOTAL CAPITAL TRANSFERS</b>	<b>658</b>	<b>436</b>	<b>878</b>	<b>467</b>	<b>454</b>	<b>459</b>	<b>463</b>
25 <b>FULL-TIME EQUIVALENT (FTE)</b>	<b>3,046</b>	<b>3,025</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>	<b>3,000</b>

**The accompanying notes are an integral part of this table.**

BPA Bond Amortization/Capital Transfers includes actual advanced amortization, or prepayment to Treasury, in FY 2005 consistent with BPA's capital strategy plan and debt optimization plan. The cumulative amount of actual advance amortization payments as of the end of FY 2005 is \$1,460 million.

**PROGRAM & FINANCING SUMMARY**

Current Services  
(in millions of dollars)

Identification Code: 89-4045-0-3-271

ification Code: 89-4045-0-3-271

	est.						
	2005	2006	2007	2008	2009	2010	2011
rogram by activities:							
Operating expenses:							
0.01 Power Business Line	1,411	1,363	975	1,161	1,211	1,206	1,272
0.02 Residential Exchange	144	138	323	323	323	323	323
Associated Project Costs:							
0.05 Bureau of Reclamation	56	65	72	75	78	80	81
0.06 Corps of Engineers	143	149	162	166	170	177	182
0.07 Colville Settlement	18	18	17	17	18	18	19
0.19 U.S. Fish & Wildlife Service	17	19	19	20	20	21	22
0.20 Planning Council	9	9	9	9	9	10	10
0.21 Fish & Wildlife	153	139	142	142	142	142	142
0.23 Transmission Business Line	251	271	265	268	273	277	283
0.24 Conservation & Energy Efficiency	83	64	69	68	68	68	68
0.25 Interest	262	377	391	418	440	450	471
0.26 Pension and Health Benefits 1/	27	23	21	18	31	31	31
0.91 Total operating expenses 2/	2,574	2,635	2,465	2,685	2,783	2,803	2,904
Capital investment:							
1.01 Power Business Line	88	130	133	145	137	123	124
1.02 Transmission Line	142	201	252	284	252	299	310
1.03 Conservation & Energy Efficiency	15	44	32	32	32	40	40
1.04 Fish & Wildlife	12	36	36	36	36	36	36
1.05 Capital Equipment	13	26	24	28	24	25	24
1.06 Capitalized Bond Premiums	0	0	0	5	3	3	3
1.07 Total Capital Investment 3/	270	437	477	530	484	526	537
1.08 Misc. Accounting Adjustments	0						
2.01 Projects Funded in Advanced	80	72	95	72	115	119	70
10.00 Total obligations 4/	2,923	3,144	3,036	3,287	3,382	3,448	3,511

**The accompanying notes are an integral part of this table.**

See Interest Expense, Pension and Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of these cost estimates.

1/

2/ Reflects expense obligations, not accrued expenses.

The Power Business Line (PBL) includes Fish & Wildlife, Residential Exchange, Planning Council, Conservation & Energy Efficiency and Associated Project Costs which have been shown separately for display purposes.

FY 2005 Interest expense (line 0.25) does not include approximately \$120 million of BPA interest which is included on this table under Power Business Line expense (line 0.01).

3/ Reflects capital obligations, not capital expenditures.

4/ This FY 2007 budget includes capital and expense estimates for the PBL based on the forecast of CRAC adjusted rates for FY 2006, the PFR and preliminary Initial Power Rate Proposal for FYs 2007-2009, adjusted to reflect anticipated FYs 2006 and 2007 debt optimization refinancing of ENW obligations, and associated Initial Power Rate Proposal outyear estimates for FYs 2010-2011. The TBL capital and expense estimates are based on the filed 2006-2007 transmission rate proposal.

Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

Refer to 16 USC Chapters 12B, 12G, 12H, and BPA's other organic laws, including P.L. 100-371, Title III, Sec. 300, 102 Stat. 869, July 18, 1988 regarding BPA's ability to obligate funds.

**Program and Financing (continued)**

Current Services  
(in millions of dollars)

		est.						
		2005	2006	2007	2008	2009	2010	2011
Financing:								
21.90	Unobligated balance available, start of year. Treasury balance 3/	(121)	(240)	(240)	(240)	(240)	(240)	(240)
24.40	Unobligated balance available, end of year. Treasury balance 3/	(240)	(240)	(240)	(240)	(240)	(240)	(240)
25.00	Unobligated balance lapsing	0	0	0	0	0	0	0
39.00	<b>Budget authority (gross)</b>	<b>2,923</b>	<b>3,143</b>	<b>3,036</b>	<b>3,287</b>	<b>3,382</b>	<b>3,448</b>	<b>3,510</b>
Budget Authority:								
61.00	Transfer to other accounts	-73						
66.10	Contract Authority	1018						
67.10	Permanent Authority: Authority to borrow from Treasury (indefinite) 4/	315	356	388	352	284	379	383
	Spending authority from off-setting collections	3,254	3,223	3,526	3,402	3,552	3,528	3,590
69.47	Portion applied to debt reduction	(438)	(436)	(878)	(467)	(454)	(459)	(463)
69.90	<b>Spending authority from offsetting collections (adjusted)</b>	<b>1,590</b>	<b>2,787</b>	<b>2,648</b>	<b>2,935</b>	<b>3,098</b>	<b>3,069</b>	<b>3,127</b>
Relation of obligations to outlays:								
71.00	Total obligations	2,923	3,143	3,036	3,287	3,382	3,448	3,510
Obligated balance, start of year:								
72.47	Authority to borrow	617	617	617	617	617	617	617
74.47	Authority to borrow	(617)	(617)	(617)	(617)	(617)	(617)	(617)
87.00	Outlays (gross)	3,097	3,143	3,036	3,287	3,382	3,448	3,510
Adjustments to budget authority and outlays:								
Deductions for offsetting collections:								
88.00	Federal funds	(40)	(90)	(90)	(90)	(90)	(90)	(90)
88.40	Non-Federal sources	(3,214)	(3,133)	(3,436)	(3,312)	(3,462)	(3,438)	(3,500)
88.90	Total, offsetting collections	(3,254)	(3,223)	(3,526)	(3,402)	(3,552)	(3,528)	(3,590)
89.00	<b>Budget authority (net)</b>	<b>(379)</b>	<b>(80)</b>	<b>(441)</b>	<b>(115)</b>	<b>(170)</b>	<b>(80)</b>	<b>(80)</b>
90.00	<b>Outlays (net) 5/</b>	<b>(155)</b>	<b>(80)</b>	<b>(480)</b>	<b>(115)</b>	<b>(170)</b>	<b>(80)</b>	<b>(80)</b>

**The accompanying notes are an integral part of this table.**

3/ Treasury balance and unobligated balance estimates assume that BPA will borrow from Treasury the amount needed to finance the full capital program. Actual Treasury borrowing and cash balances will be different, depending on net revenues, Treasury interest rates, and other cash management factors. Borrowing could be higher such that cash balances at the end of each year could equal total reserves.

- 4/ The Permanent Authority: Authority to borrow (indefinite) from Treasury amounts reflect both BPA's capital program financing needs and either the use of, or creation of, deferred borrowing. Deferred borrowing is created when, as a cash and debt management decision, BPA uses cash from revenues to liquidate capital obligations in lieu of borrowing from Treasury. This temporary use of cash on hand instead of borrowed funds creates the ability in future years to borrow money, when fiscally prudent. Technical Executive Branch budget display and tracking requirements have modified the way BPA shows this deferred borrowing as a resource carried forward from year-to-year. This amount must therefore be added to, or subtracted from, BPA's current year Treasury borrowing authority amount, making this number a combination of capital program financing needs and the annual use, or creation of deferred borrowing. The FY 1989 Energy and Water Development Appropriations Act (P.L. 100-371 of 7/19/88) clarified that BPA has authority to incur obligations in excess of Treasury borrowing authority and cash in the BPA Fund. The two amounts which comprise the net amount of line 67.10 above as follows:

	FISCAL YEAR						
Treasury Borrowing Authority:	2005	2006	2007	2008	2009	2010	2011
to finance capital obligations	314	437	477	530	484	526	537
to finance other obligations	1	(81)	(89)	(179)	(200)	(147)	(154)
<b>Total Treasury Borrowing Authority (67.10)</b>	<b>315</b>	<b>356</b>	<b>388</b>	<b>351</b>	<b>284</b>	<b>379</b>	<b>383</b>

- 5/ Net Outlay estimates are based on current cost savings to date and anticipated cash management goals. They are expected to follow anticipated management decisions throughout the rate period that along with actual market conditions will impact revenues and expenses. Actual Net Outlays are volatile and are reported in SF-133. Estimated net outlay estimates could change due to changing market conditions, streamflow variability, and continuing restructuring of the electric industry.

Revenues, included in the Net Outlay formulation, are calculated consistent with cash management goals and assume a combination of adjustments. Assumed adjustments include the use of a combination of tools, including upcoming Cost Recovery Adjustment Clause (CRAC) adjustments, reduced cost estimates, a net revenue risk adjustment, debt service refinancing strategies and/or short-term financial tools to manage net revenues and cash. Some of these potential tools will reduce costs rather than generate revenue, however causing the same net outlay result. Adjustments for depreciation and 4(h)(10)(C) are also assumed.

This budget has been prepared in accordance with the Budget Enforcement Act (BEA) of 1990. Under this Act all BPA budget estimates are treated as mandatory and are not subject to the discretionary caps included in the BEA. These estimates support activities which are legally separate from discretionary activities and accounts. Thus, any changes to BPA estimates cannot be used to affect any other budget categories which have their own legal dollar caps. Because BPA operates within existing legislative authority, BPA is not subject to a Budget Enforcement "pay-as-you-go" test regarding its revision of current-law funding estimates.

This FY 2007 budget assumes the Spectrum Relocation Fund (account 11-5512 or SRF), established in the Treasury to facilitate the relocation of federal radio communication systems, will provide BPA, through a non-expenditure transfer from the SRF, with full budget authority and cash to cover the cost of relocating their radio communications systems. The estimated BPA cost of this relocation is \$48.7 million which is reflected in BPA's FY 2007 net Budget Authority.



**BONNEVILLE POWER ADMINISTRATION**  
**BPA STATUS of TREASURY BORROWING**  
**CURRENT SERVICES**  
(in millions of dollars)

BP-4A

	Fiscal Year							
	2005				2006			
	Net Capital	Net Capital Obs Subject	Net Capital Expend.	Bonds Out- Standing	Net Capital Obs	Net Capital Obs Subject	Net Capital Expend.	Bonds Out- Standing
	Obs	to BA			Obs	to BA		
<b>Start-of-Year: Total</b>	1,837	1,837	2,917	2,900	1,668	1,668	2,748	2,786
<b>Plus: Annual Increase</b>								
Cum.-Annual Treasury Borrowing	270	270	270		437	437	437	
Treasury Borrowing (Cash)				325				437
<b>Less:</b>								
BPA Bond Amortization	439	439	439	439	250	250	250	250
BPA Bond Amortization dependent ...on debt optimization								0
BPA Bond Amortization dependent ...on net secondary revenues								0
<b>Net Increase/(Decrease):</b>	(169)	(169)	(169)	(114)	187	187	187	187
Cum.-End-of-Year: Total	1,668	1,668		2,786	3,089	1,855	2,935	2,973
<b>Total Remaining Treasury Borrowing Amount</b>				1,664				1,477
<b>Total Legislated Treasury Borrowing Amount</b>				4,450				4,450

**The accompanying notes are an integral part of this table.**

In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

BPA Revenue financing of \$15 million as part of TBL capital-PFIA is included for FY 2005.

BPA Bond Amortization/Capital Transfers includes actual advanced amortization, or prepayment to Treasury, in FY 2005 consistent with BPA's capital strategy plan and debt optimization plan. The cumulative amount of actual advance amortization payments as of the end of FY 2005 is \$1,460 million. The FY 2006 bond amortization amount, dependent on debt optimization, is estimated to be \$387 million.

**BONNEVILLE POWER ADMINISTRATION**  
**BPA STATUS of TREASURY BORROWING**  
**CURRENT SERVICES**  
(in millions of dollars)

BP-4B

	Fiscal Year							
	2007				2008			
	Net Capital	Net Capital	Net Capital	Bonds Out-	Net Capital	Net Capital	Net Capital	Bonds Out-
	Obs to BA	Obs to BA	Obs to BA	Obs to BA	Obs to BA	Obs to BA	Obs to BA	Obs to BA
<b>Start-of-Year: Total</b>	1,463	1,855	2,935	2,973	1,719	2,111	3,191	2,692
<b>Plus: Annual Increase</b>								
Cum.-Annual Treasury Borrowing	477	477	477		530	530	530	
Treasury Borrowing (Cash)				477				530
<b>Less:</b>								
Total BPA Bond Amortization	221	221	221	221	241	241	241	241
Total BPA Bond Amortization								
...dependent on debt optimization				369				0
BPA Bond Amortization dependent								
...on net secondary revenues				168				88
<b>Net Increase/(Decrease):</b>								
Total	256	256	256	(281)	289	289	289	201
Cum.-End-of-Year: Total	1,719	2,111	3,191	2,692	2,008	2,400	3,480	2,893
<b>Total Remaining Treasury Borrowing Amount</b>				<u>1,758</u>				<u>1,557</u>
<b>Total Legislated Treasury Borrowing Amount</b>				4,450				4,450

**The accompanying notes are an integral part of this table.**

In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

**BONNEVILLE POWER ADMINISTRATION**  
**BPA STATUS of TREASURY BORROWING**  
**CURRENT SERVICES**  
(in millions of dollars)

BP-4C

	Fiscal Year							
	2009				2010			
	Net Capital		Net Capital		Net Capital		Net Capital	
	Obs	to BA	Expend.	Standing	Obs	to BA	Expend.	Standing
<b>Start-of-Year: Total</b>	2,008	2,400	3,480	2,893	2,360	2,752	3,832	3,162
<b>Plus: Annual Increase</b>								
Cum.-Annual Treasury Borrowing	484	484	484		526	526	526	
Treasury Borrowing (Cash)				484				526
<b>Less:</b>								
Total BPA Bond Amortization	132	132	132	132	120	120	120	120
Total BPA Bond Amortization								
...dependent on debt optimization				0				0
BPA Bond Amortization dependent								
...on net secondary revenues				83				80
<b>Net Increase/(Decrease):</b>								
Total	352	352	352	269	406	406	406	326
Cum.-End-of-Year: Total	2,360	2,752	3,832	3,162	2,766	3,158	4,238	3,488
<b>Total Remaining Treasury Borrowing Amount</b>				<u>1,288</u>				<u>962</u>
<b>Total Legislated Treasury Borrowing Amount</b>				4,450				4,450

**The accompanying notes are an integral part of this table.**

In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

Proposed debt legislation and \$200 million increase in Treasury Borrowing Authority:

The Administration proposed legislation in June 2005 that would count certain new non-traditional financing transactions, entered into after the date the legislation is enacted and that are similar to debt-like transactions, toward BPA's US Treasury borrowing limit. The legislation also includes a correlative \$200 million increase in BPA's US Treasury borrowing authority cap in FY 2009 to be used in the future. This potential increase due to this proposed legislation has not been incorporated in this Current Services table.

**BONNEVILLE POWER ADMINISTRATION**  
**BPA STATUS of TREASURY BORROWING**  
**CURRENT SERVICES**  
(in millions of dollars)

BP-4D

	Fiscal Year			
	<b>2011</b>			
	Net Capital	Obs Subject	Net Capital	Bonds Out-
	Obs	to BA	Expend.	Standing
<b>Start-of-Year: Total</b>	2,766	3,158	4,238	3,488
<b>Plus: Annual Increase</b>				
Cum.-Annual Treasury Borrowing	537	537	537	
Treasury Borrowing (Cash)				537
<b>Less:</b>				
Total BPA Bond Amortization	182	182	182	182
Total BPA Bond Amortization ...dependent on debt optimization				0
BPA Bond Amortization dependent ...on net secondary revenues				80
<b>Net Increase/(Decrease):</b>				
Total	355	355	355	275
Cum.-End-of-Year: Total	3,121	3,513	4,593	3,763
<b>Total Remaining Treasury Borrowing Amount</b>				<u>687</u>
<b>Total Legislated Treasury Borrowing Amount</b>				4,450

**The accompanying notes are an integral part of this table.**

In any given year, BPA may issue less debt than forecast depending on net revenues, Treasury interests rates, and other cash management factors. In such cases, BPA accumulates a deferred borrowing balance that it accesses as necessary in the future.

Capital investment levels also reflect executive management decisions from BPA's cross-agency Business Operations Board review process, and external factors such as the significant changes affecting the West Coast power and transmission markets, along with planned infrastructure investments designed to address the long-term needs of the region.

Budget estimates included in this budget are subject to change due to rapidly changing economic and institutional conditions in the evolving competitive electric utility industry.

**TREASURY PAYMENTS**  
(in millions of dollars)

		FISCAL YEAR						
		2005	2006	2007	2008	2009	2010	2011
<b>A. INTEREST ON BONDS &amp; APPROPRIATIONS</b>								
<b>Bonneville Bond Interest</b>								
1	Bonneville Bond Interest (net)	120	121	148	179	202	229	261
2	AFUDC <sup>1/</sup>	17	40	39	40	40	41	44
<b>Appropriations Interest</b>								
3	Bonneville	48	46	43	42	37	28	19
4	Corps of Engineers <sup>2/</sup>	154	150	142	139	141	134	133
5	Lower Snake River	16	16	16	16	16	16	16
6	Bureau of Reclamation <sup>3/</sup>	43	42	42	42	42	42	42
7	<b>Total Bond and Approp. Interest</b>	<b>398</b>	<b>415</b>	<b>430</b>	<b>458</b>	<b>478</b>	<b>490</b>	<b>515</b>
<b>B. ASSOCIATED PROJECT COST</b>								
8	Bureau of Reclamation Irrigation Assistance	1	0	0	3	7	0	0
9	Bureau of Rec. O & M <sup>4/</sup>	1	0	0	0	0	0	0
10	Corps of Eng. O & M <sup>4/</sup>	3	0	0	0	0	0	0
11	L. Snake River Comp. Plan O & M <sup>4/</sup>	0	0	0	0	0	0	0
12	<b>Total Assoc. Project Costs</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>7</b>	<b>0</b>	<b>0</b>
<b>C. CAPITAL TRANSFERS</b>								
<b>Amortization</b>								
13	Bonneville Bonds	439	250	221	241	132	120	182
13a	BPA Bond Amortization dependent on ..debt optimization	0	0	369	0	0	0	0
13b	BPA Bond Amortization dependent on ...net secondary revenues	0	0	168	88	83	80	80
14	Bureau of Reclamation Appropriations	0	0	0	1	0	0	0
15	Corps of Engineers Appropriations	154	136	102	77	111	132	93
16	Lower Snake River Comp. Plan	0	0	0	0	0	0	0
17	Bonneville Appropriations	65	50	18	60	128	127	108
	<b>Total Capital Transfers <sup>5/</sup></b>	<b>658</b>	<b>436</b>	<b>878</b>	<b>467</b>	<b>454</b>	<b>459</b>	<b>463</b>
<b>D. OTHER PAYMENTS</b>								
18	Unfunded CSRS Liability <sup>6/</sup>	27	23	21	18	31	31	31
21	<b>TOTAL TREASURY PAYMENTS</b>	<b>1,088</b>	<b>874</b>	<b>1,329</b>	<b>946</b>	<b>970</b>	<b>980</b>	<b>1,009</b>

The accompanying notes are an integral part of this table.

<sup>1/</sup> This interest cost is capitalized and included in BPA's Transmission System Development, System Replacements, and Associated Projects Capital programs. AFUDC is financed through the sale of bonds.

<sup>2/</sup> Includes interest on construction funding for Corp of Engineers (Corps) fish bypass facilities at Corps dams in the Columbia River Basin, including Lower Monumental, Ice Harbor, and The Dalles.

<sup>3/</sup> Includes payments paid by Reclamation to Treasury on behalf of Bonneville.

<sup>4/</sup> Costs for power O&M is funded directly by Bonneville as follows (in millions)

	FISCAL YEAR	2005	2006	2007	2008	2009	2010	2011
Bureau of Reclamation		56	65	72	75	78	80	81
Corps of Engineers		143	149	162	166	170	177	182
Lower Snake River Comp. Plan		17	19	19	20	20	21	22

Reclamation O&M budget estimates do not reflect approximately \$10 million in Reclamation cost savings of which \$3 million can be spent in a single fiscal year. Corps O&M budget estimates do not reflect approximately \$1.5 million in Corps cost savings.

Bonneville, through FY 2006, also directly funds the Corps \$9.7 million annually and the Reclamation \$2 million annually for small capital power O&M items. Funding for these small capital power items is included within the PBL capital budget.

<sup>5/</sup> BPA Bond Amortization/Capital Transfers includes actual advanced amortization, or prepayment to Treasury, in FY 2005 consistent with BPA's capital strategy plan and debt optimization plan. The cumulative amount of actual advance amortization payments as of the end of FY 2005 is \$1,460 million.

<sup>6/</sup> See Interest Expense, Pension and Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of these cost estimates.

<sup>7/</sup> Does not include Treasury bond premiums on refinanced Treasury bonds.

**OBJECT CLASSIFICATION STATEMENT**  
(in millions of dollars) 1/

IDENTIFICATION CODE: 89-4045-0-3-271  
DIRECT OBLIGATIONS

**ESTIMATES**

	2005	2006	2007
11.1 Full-time permanent	217	233	226
11.3 Other than full-time permanent			
11.5 Other personnel compensation	8	8	8
11.9 <b>Total personnel compensation</b>	<b>225</b>	<b>241</b>	<b>234</b>
12.1 Civilian personnel benefits	59	64	61
21.0 Travel and transportation of persons	10	11	10
22.0 Transportation of things		2	2
23.1 Rental payments to GSA			
23.2 Rents, other	21	23	22
23.3 Communication, utilities & misc. charges	5	6	5
24.0 Printing and reproduction			
25.1 Consulting Services			
25.2 Other Services	1,891	2,032	1,963
25.3 Purchases from Government Accounts			
25.4 O&M of Facilities			
25.5 R & D Contracts	2	2	2
26.0 Supplies and materials	43	46	45
31.0 Equipment			
32.0 Lands and structures	75	81	78
41.0 Grants, subsidies, contributions	50	53	51
43.0 Interest and dividends	542	583	563
99.0 <b>Total obligations</b>	<b>2,923</b>	<b>3,144</b>	<b>3,036</b>

Includes object classifications developed from updated GL accounting codes consistent with implementation of BPA's business enterprise system of accounts. The object classifications are subject to change as BPA's GL accounting codes continue to evolve to more effectively meet management information needs, and meet FERC and Federal reporting requirements.

**Estimate of Proprietary Receipts**  
(in millions of dollars)

	Fiscal Year						
	2005	2006	2007	2008	2009	2010	2011
Reclamation Interest	43	42	42	42	42	42	42
Reclamation Amortization	0	0	0	1	0	0	0
Reclamation O&M	1	0	0	0	0	0	0
Reclamation Irrig. Assist.	1	0	0	3	7	0	0
Revenues Collected by Reclamation	-11						
Distributed in Treasury Account (credit)		-7	-7	-7	-7	-7	-7
Colville Settlement (credit)	-5	-5	-5	-5	-5	-5	-5
<b>Total 1/ Reclamation Fund</b>	<b>29</b>	<b>30</b>	<b>30</b>	<b>34</b>	<b>37</b>	<b>30</b>	<b>30</b>
Corps O&M	3						
CSRS	27	23	21	18	31	31	31
<b>Total 2/ Repayments on misc.costs</b>	<b>30</b>	<b>23</b>	<b>21</b>	<b>18</b>	<b>31</b>	<b>31</b>	<b>31</b>

1/ Includes amortization of appropriations and irrigation assistance, and interest costs for the Bureau of Reclamation. The cost of power O&M for Bureau of Reclamation is no longer included in Proprietary Receipts due to Direct Funding by Bonneville. Represents transfer to Account #895000.26

2/ The costs of power O&M for Corps of Engineers and Lower Snake Comp. Plan are no longer included in Proprietary Receipts due to Direct Funding by Bonneville. Represents transfers to Account #892889, Repayments on misc. recoverable costs, not otherwise classified. Costs for power O&M is funded directly by Bonneville as follows (in millions)

	2005	2006	2007	2008	2009	2010	2011
Bureau of Reclamation	56	65	72	75	78	80	81
Corps of Engineers	143	149	162	166	170	177	182
Lower Snake River Comp. Plan	17	19	19	20	20	21	22

Reclamation O&M budget estimates do not reflect approximately \$10 million in Reclamation cost savings of which \$3 million can be spent in a single fiscal year. Corps O&M budget estimates do not reflect approximately \$1.5 million in Corps cost savings.

Bonneville, through FY 2006, also directly funds the Corps \$9.7 million annually and the Reclamation \$2 million annually for small capital power O&M items. Funding for these small capital power items is included within the PBL capital budget.

See Interest Expense, Pension and Post-retirement Benefits and Capital Transfers section of this budget for a complete discussion of these cost estimates.

**BONNEVILLE POWER ADMINISTRATION**

**FISH AND WILDLIFE COSTS <sup>1/ 2/</sup>**

<b>COST ELEMENT</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b><u>CAPITAL INVESTMENTS <sup>1/</sup></u></b>									
BPA FISH AND WILDLIFE	28.1	22.0	14.7	13.9	16.5	6.1	11.6	8.5	12.2
ASSOCIATED PROJECTS (FEDERAL HYDRO)	(42.6)	-	14.1	47.0	6.2	8.8	68.4	75.9	53.8
<b>BPA DIRECT FISH AND WILDLIFE PROGRAM</b>	<b>82.2</b>	<b>104.9</b>	<b>108.2</b>	<b>108.2</b>	<b>101.1</b>	<b>137.1</b>	<b>140.7</b>	<b>137.9</b>	<b>135.8</b>
<b>SUPPLEMENTAL MITIGATION PROGRAM EXPENSES</b>					2.9	7.1	6.5	7.8	0.0
<b>REIMBURSABLE/DIRECT-FUNDED PROJECTS</b>									
O & M LOWER SNAKE RIVER HATCHERIES	11.8	11.4	13.0	12.4	12.7	14.9	15.1	17.3	17.2
O & M CORPS OF ENGINEERS	18.9	18.5	19.9	19.7	23.1	28.2	30.3	32.3	32.5
O & M BUREAU OF RECLAMATION	1.5	2.7	2.6	1.8	3.0	3.8	3.1	3.9	3.9
OTHER (NW POWER AND CONSERVATION COUNCIL)	3.7	3.7	3.4	3.7	3.7	4.0	4.0	3.7	4.3
SUBTOTAL (REIMB/DIRECT-FUNDED)	35.9	36.4	38.9	37.6	42.5	50.9	52.6	57.2	57.9
<b>TOTAL OPERATING EXPENSES</b>	<b>118.1</b>	<b>141.3</b>	<b>147.1</b>	<b>145.8</b>	<b>146.5</b>	<b>195.1</b>	<b>199.8</b>	<b>202.9</b>	<b>193.7</b>
<b>PROGRAM RELATED FIXED EXPENSES</b>									
INTEREST EXPENSE	52.4	48.9	49.4	48.4	49.1	48.5	49.9	53.3	56.4
AMORTIZATION EXPENSE	12.4	14.1	15.3	16.1	16.8	17.2	17.4	17.5	17.4
DEPRECIATION EXPENSE	11.5	11.1	11.4	11.8	12.3	12.5	13.2	14.6	15.9
<b>TOTAL FIXED EXPENSES</b>	<b>76.3</b>	<b>74.1</b>	<b>76.1</b>	<b>76.3</b>	<b>78.2</b>	<b>78.2</b>	<b>80.5</b>	<b>85.4</b>	<b>89.7</b>
<b>GRAND TOTAL PROGRAM EXPENSES</b>	<b>194.4</b>	<b>215.4</b>	<b>223.2</b>	<b>222.1</b>	<b>224.7</b>	<b>273.3</b>	<b>280.3</b>	<b>288.3</b>	<b>283.4</b>
<b><u>FORGONE REVENUES AND POWER PURCHASES</u></b>									
<b>FOREGONE REVENUES</b>	107.8	116.5	197.8	193.1	115.9	12.6	79.2	21.7	182.1
BPA POWER PURCH. FOR FISH ENHANCEMENT	-	5.4	47.6	64.8	1,389.6	147.8	171.1	191.0	110.8
<b>TOTAL FOREGONE REVENUES AND POWER PURCHASES</b>	<b>107.8</b>	<b>121.9</b>	<b>245.4</b>	<b>257.9</b>	<b>1,505.5</b>	<b>160.4</b>	<b>250.3</b>	<b>212.7</b>	<b>292.9</b>
<b>TOTAL PROGRAM EXPENSES, FOREGONE REVENUES, &amp; POWER PURCHASES</b>	<b>302.2</b>	<b>337.3</b>	<b>468.6</b>	<b>480.0</b>	<b>1,730.2</b>	<b>433.7</b>	<b>530.6</b>	<b>501.0</b>	<b>576.3</b>
<b><u>CREDITS</u></b>									
4(h)(10)(C) credits earned	(29.7)	(35.7)	(46.0)	(50.4)	(336.6)	(66.4)	(73.6)	(77.0)	(57.7)
FISH COST CONTINGENCY FUND	-	-	-	-	(246.5)	-	(78.7)	-	-
<b>TOTAL CREDITS</b>	<b>(29.7)</b>	<b>(35.7)</b>	<b>(46.0)</b>	<b>(50.4)</b>	<b>(583.1)</b>	<b>(66.4)</b>	<b>(152.3)</b>	<b>(77.0)</b>	<b>(57.7)</b>

1/ These are audited actual costs reported on an accrual basis

2/ For purposes of this presentation, this financial information has been made publicly available by BPA in [February 2006](#) and is consistent with the financial system of record used in preparation of the audited financial statements for the respective period reported.

Capital Investments include both BPA's direct Fish and Wildlife Program capital investments, funded by BPA's Treasury borrowing, and "Associated Projects", which include capital investments at Corps of Engineers' and Bureau of Reclamation projects, funded by appropriations and repaid by BPA. The negative amount in FY 1997 reflects a decision to reverse "plant-in-service" investment that was never actually placed into service. The annual expenses associated with these investments are included in "Program-Related Fixed Expenses", below.

Supplemental Mitigation Program Expenses includes High Priority and Action Plan Expenses and other supplemental programs including PBL contribution to Pikeminnow reward program

Reimbursable/Direct-Funded Projects includes the portion of costs BPA pays to or on behalf of other entities that is determined to be for fish and wildlife purposes.

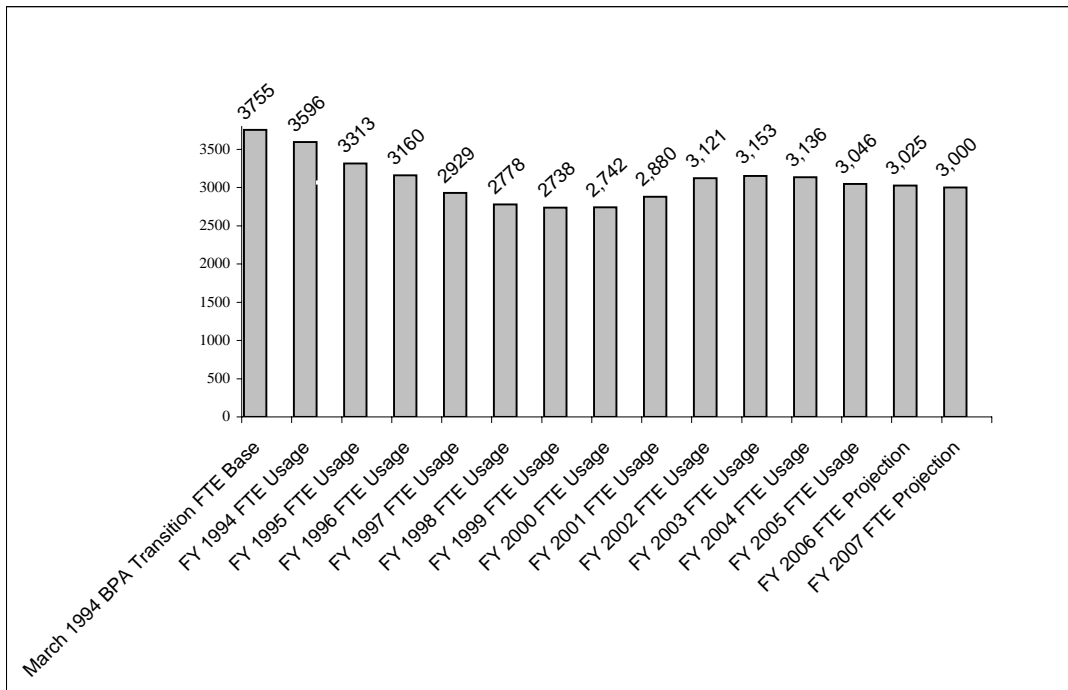
Fixed Expenses include depreciation and interest on investment on the Corps of Engineers' projects, and amortization and interest on the investments associated with BPA's direct Fish and Wildlife Program.

The Fish Contingency Fund was exhausted in 2003

\$5.1 million in prior year capital adjustments was not attributed to the direct program in FY2004. This resulted in a regionally reported program expense of \$132.8 million for FY2004.



**BONNEVILLE FTE**  
(revised November 2005)



BPA has utilized the following number of Voluntary Separation Incentives (VSIs): 190 in FY 1994, 240 in FY 1995, 137 in FY 1996, 135 in FY 1997, 121 in FY 1998, 81 in FY 1999, 43 in FY 2000, 12 in FY 2001, 0 in FY 2002, 80 in FY 2003, 0 in FY 2004, and 98, in FY 2005.

BPA will continue to use various authorities, including the use of voluntary separation incentives (VSI) and voluntary early retirement authority (VERA) to help achieve BPA planning levels.

Actual FTE data is consistent with DOE personnel reports.



## Commercial Spectrum Enhancement Act

The Commercial Spectrum Enhancement Act (CSEA), P.L. 108-494 was enacted in December 2004. This Act created the Spectrum Relocation Fund, which is a mechanism to facilitate the relocation of Federal communications systems from spectrum that is to be reallocated to commercial use. The Department of Energy (DOE) fully supports this Act and appreciates the leadership role that the National Telecommunication and Information Administration (NTIA) has assumed as the Federal government moves forward with this challenge. DOE has prepared and submitted to the Congress through NTIA and the Office of Management and Budget (OMB) a cost estimate for the relocation of its existing microwave radio systems operating in the 1710-1755 MHz frequency band, including frequency assignments in the 1755-1785 MHz frequency band that are paired with the 1710-1755 MHz bands. The Federal Communications Commission has indicated its intent to auction a portion of the specified spectrum as early as June 2006.

The total estimate for relocation or modification costs for DOE's radio communications systems in the 1710-1755 MHz band is \$173.6 million. This total represents estimated costs to relocate 36 systems and 168 frequency assignments support the systems being relocated as detailed below. The unit estimated cost for particular fixed microwave system is dependent on such variables as number of radios, towers, and time of year.

DOE estimates that the timeline for relocating its electric grid command and control system is between 2 and 6 years from the date the agency's receipt of relocation funds. The table below provides cost estimates for each system that will be relocated.

<b>DOE PROGRAM</b>	<b>COST (\$ in millions)</b>	<b>TIME (in months)</b>	<b>NUMBER OF SYSTEMS</b>
NNSA	\$ 10.9	36	15
SWPA	\$ 6.3	24	1
WAPA	\$ 106.7	36	6
BPA	\$ 48.7	72	14
OCIO	\$ 1.0	72	Administration
<b>TOTAL</b>	<b>\$ 173.6</b>	<b>N/A</b>	<b>36</b>